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1983

BUILDING PRODUCTS: COMPETING AT HOME AND ABROAD

A follow-up study of exports and imports
of selected building products:
summary report by IMR

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BUILDING EDC

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[1] Part B is primarily based on interviews in France and West Germany

PREFACE BY BUILDING EDC

The Building and Civil Engineering EDCs' first major project solely on building materials culminated in the publication in 1980 of 'Building materials: export opportunities and import substitution' (HMSO). The EDCs subsequently agreed that this work, which considered over 80 major groups of building materials, should be followed-up by a detailed investigation of six products. The investigation, with a brief to concentrate on specific practical recommendations to improve trade performance, was launched in August 1981 by the EDCs' Action Group on Building Materials. This report summarises the results.

The products selected by the Action Group for their study were either suffering significantly from import competition or had underexploited export potential. An additional condition was that industry must contribute a third of the cost of the market research for the study. The selected products were: wooden doors/frames, kitchen units, particleboard, ceramic tiles, cladding/decking and air conditioning units. Industrial Market Research Ltd (IMR) was chosen by the Action Group to conduct the market research. In addition to the industry contribution (from manufacturers, trade associations, the Interbuild Fund and the Forestry Commission) to the cost, the DOE and NEDO each contributed a third.

The main results of the study have been produced as individual reports for each product group, thereby ensuring that the specific detailed findings and recommendations are relevant to manufacturers of each product. Preliminary responses from contributing manufacturers indicate that these reports provide practical information which firms are using to make their products more competitive both overseas and at home.

This summary by IMR draws on the individual product reports, and in particular, concentrates on findings and recommendations which can be of value to producers of materials other than the selected six.

The trade associations (Aluminium Federation, British Ceramic Tile Council, British Woodworking Federation, HEVAC Association, National Council of Building Material Producers and United Kingdom Particleboard Association) are to be primarily responsible for ensuring that effective use is made of the results of this study. In order to help maintain the impetus, the Building EDC will invite the trade associations to regular meetings to review progress and discuss appropriate joint action.

MEMBERSHIP OF ACTION GROUP ON BUILDING MATERIALS

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1 INTRODUCTION

Objectives of the study

1.1 The objectives of the study can be summarised as follows:

To identify for selected products the reasons for import penetration at home and, where relevant, poor export performance abroad; thus to provide detailed recommendations on an action programme designed to redress the UK trade balance.

Research input

1.2 The overall research input for the total project was as follows:

- desk research
- in-depth interviews with 6 trade associations sponsoring the study and 36 sponsoring manufacturers of the six products under investigation
- a group discussion with non-sponsoring UK manufacturers of wooden doors
- interviews with 13 users/specifiers and 16 distributors/contractors in the UK
- interviews with the BOTB, Building Materials Export Group, Design Council, Electricity Council, and Building Services Research and Information Association
- additional telephone contact with UK manufacturers of cladding and decking materials
- visits to manufacturers' stands at the following exhibitions: HVAC (London), Interbuild (Birmingham) and Batimat/Interclima (Paris)
- a total of 31 personal and 25 telephone interviews with French and German organisations including competitive suppliers, distributors, contractors, specifiers, trade associations and chambers of commerce.

2 RECOMMENDATIONS

2.1 Recommendations to help make UK products fully competitive with imports and to increase exports are summarised according to the audience at which they are aimed, ie UK manufacturers, government and public bodies, and trade associations.

MANUFACTURERS

2.2 The study has indicated that there are a number of different approaches which may ensure a manufacturer's success in the market place, whether in the UK, France or West Germany[1]. Whatever the approach, certain activities are essential. These are listed below, including many that are normal business practice for manufacturers of any building material or component:

- regular monitoring of price structures and distributor margins in order to ensure these remain competitive with overseas and other UK suppliers and in order to identify the most effective and profitable channels of distribution (paras 5.8, 5.9 and 6.1 to 6.4);

- periodic reviews of channels of distribution with a view to reducing distribution costs and ensuring commitment from distributors. Anticipating rather than merely reacting to market developments (paras 6.1 to 6.4);

- identification of market gaps or segments where specific design features can lead to marketing advantages (paras 4.2 and 4.3);

- initiation or identification of new market trends before competing manufacturers can establish themselves in such new markets (paras 4.1 and 4.24);

- regular appraisal of foreign competition for weaknesses which may provide opportunities for UK products (chapters 4 to 8 and 10 to 14);

- the use of distributors as a source of market intelligence (paras 6.8 and 6.9);

- ensuring that sales calls are made by personnel with the necessary product/technical knowledge and negotiating authority (paras 6.1 to 6.9 and 12.13 to 12.18);

- periodic reviews of facilities for providing specifiers and end users with technical information and advice (paras 7.4 and 7.5);

ensuring sales literature clearly indicates where products are of high quality (eg by third party certification) (paras 6.5 to 6.7 and 12.12 to 12.14)

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[1] France and West Germany were the two foreign countries selected for detailed investigation

- the maintenance of an effective dialogue with important trade customers, with information on plans and intentions, to ensure continued support (paras 5.1 to 5.9);

- for products which depend on design, ensuring responsibility for design rests firmly with a member of the company board (paras 4.1 to 4.24);

- ensuring effective feedback is obtained and acted upon to improve products where necessary (paras 4.1 to 4.24);

- adopting a 'systems approach', thinking in terms of producing ranges of components for particular building elements rather than individual products (paras 4.1 to 4.24);

- ensuring all quoted delivery dates are realistic, monitoring delivery performance and correcting any causes of delay (paras 7.1, 7.2 and 13.1 to 13.4);

- periodically reviewing and where necessary simplifying ordering procedures and forms as a means of improving delivery performance (para 7.2); and

- periodically reviewing sales administration procedures to ensure an effective initial response and appropriate follow-up to enquiries, and to eliminate any causes of administrative error (paras 6.1 to 6.9 and 12.1 to 12.18).

2.3 In addition to the above, most of the following activities are also undertaken by successful UK exporters:

- the introduction of special designs to reflect local tastes in export markets (paras 10.1 to 10.9);

- the provision of good product literature in the local language (paras 12.12 to 12.14);

- regular reviews of price structures in comparison with those of foreign competitors, offering, where possible, attractive discounts and a willingness to negotiate with overseas distributors (paras 11.1 to 11.4);

- provision of comprehensive tender documentation, particularly including catalogues, samples, price lists and packaging requirements (paras 12.12 and 12.13);

- the use of local warehouse space where rapid delivery is required (para 13.7);

- approaching end users as well as specifiers at the pre-specification stage (para 12.15); and

- effective representation at appropriate overseas trade exhibitions, possibly in conjunction with distributors (paras 12.10 and 12.11).

2.4 As well as ensuring that the above activities are in fact normal practice in their business, manufacturers should consider the following specific recommendations to help make UK products fully competitive with imports and to increase exports. However, it is emphasised that unless most of the above 'normal practice' activities are undertaken effectively, the following recommendations are unlikely to contribute significantly to improving trade performance.

Kitchen units - imports

2.5 Manufacturers should:

- introduce new designs more quickly in response to successful new product launches by overseas competitors (paras 4.2 and 4.23);

- review their product design in terms of durability, resistance to moisture penetration and screw holding properties when selling to the public sector, and consider using alternative materials (paras 4.9 and 7.3);

- ensure their self assembly units have no assembly problems as this could make them vulnerable to foreign competition - this competition is expected to increase (para 4.6);

- combine their product literature into single booklets for each market sector and provide a clear visual summary of their total range and the options available (para 6.6);

- seek co-operation with manufacturers of complementary products in order to produce a co-ordinated product range (para 4.17); and

- eliminate excessive colour options within individual product designs in order to simplify order procedures and improve sales administration and delivery performance (para 4.19).

Kitchen units - exports

2.6 Manufacturers should:

- take advantage of current opportunities to export flatpack kitchen units (paras 10.10 and 10.11);

- put effort into preparing European Standards through CEN (the European Committee for Standardisation) which are satisfactory for the UK home market. It is through BSI, as the UK member body of CEN, that British manufacturers should advocate their requirements. Until suitable European Standards are developed, manufacturers should continue to use British Standards (para 14.1 to 14.10); and

- ensure that export designs take full account of the behaviour of products in European countries with a significantly different climate to the UK's (paras 101.1 to 10.4).

Wooden doors and frames - imports

2.7 Manufacturers should:

- jointly consider a promotional campaign explaining the advantages of the UK products (para 6.7);

- reduce the delay in introducing new designs as a reponse to successful new product launches by overseas competitors (para 4.23);

- commission consumer market research (through the British Woodworking Federation) into the likely effects of a joint promotional compaign which could stimulate the UK market for replacement domestic wooden doors and frames by emphasising the relatively low cost of such replacements (paras 4.1 and 6.5); and

- consider increasing production for the higher added value segments of the market (paras 3.11 and 4.24).

Wooden doors and frames - exports

2.8 Manufacturers should:

- take advantage of current opportunities identified by this study to export commercial/institutional doors (paras 10.10 and 10.14);

- take advantage of current opportunities to export upmarket solid core doors sold complete with fittings (paras 10.10 and 10.15);

- put effort into preparing European Standards through CEN (the European Committee for Standardisation) which are satisfactory for the UK home market. It is through BSI, as the UK member body of CEN, that British manufacturers should advocate their requirements (paras 14.1 to 14.10);

- take advantage of opportunities to export products which do not require certification and testing or which have received certification approval for markets which are under-supplied (14.10); and

- consider co-operative ventures with other product manufacturers in order to offer a distinctive 'British Design' (paras 10.1 to 10.7).

Particleboard - imports

2.9 Manufacturers should:

- consider upgrading their specification of sawmill residues (bearing in mind the cost of investment by the sawmill in peeling and handling equipment) where higher quality timber raw materials are required (paras 4.9 and 4.10);

- give serious consideration to upstream and downstream vertical integration of their business either through acquisition of, or close working relationships with, raw materials and finished product distributors in order to take closer control over raw material quality, product distribution, stockholding and technical support (paras 6.1 to 6.4);

- improve those areas of functional design quality which come under criticism, eg: surface finish, resin content, production pressure, moisture resistance of sealant, machining and ability of board sealants to bond with widely available adhesives (paras 4.9 and 4.10);

- avoid concentration of production in highly price competitive market segments (eg 8' x 4' standard board for construction applications) or orientated towards one end user market only (eg construction or furniture applications). Consider an increase in production of those types of particleboard with the most promising market growth potential (paras 4.2 and 4.3); and

- consider, where practical, the installation of larger particleboard presses to accommodate a greater variety of cut dimensions to customers (para 4.21);

Particleboard - exports

2.10 Manufacturers should:

- re-examine particleboard export potential when UK capacity reaches 1.0 million cubic metres (ie about twice present production) (para 9.8).

Ceramic tiles - imports

2.11 Manufacturers should:

- consider offering a wider range of matching or colour co-ordinated ceramic accessories for bathrooms aimed at home and export markets (paras 4.17);

- appreciate the growth potential of glazed, decorated floor tiles (para 4.24);

- collaborate with each other in order to establish a frequency of introduction of new designs that is optimally suited to their new product policies (paras 4.19, 4.22 and 4.23); and

- consider a move towards the joint publication of a 'Best Selling Design' catalogue (paras 4.19 to 4.22).

Ceramic tiles - exports

2.12 Manufacturers should:

- ensure that their export colour and pattern range matches that of Continental sanitaryware, and take advantage of the expected growth of the Continental market for co-ordinated floor and wall tiles (paras 10.10 and 10.13); and

- produce to European Standards which have been adopted as dual numbered British Standards (paras 14.1 to 14.10).

Cladding and decking - imports

2.13 Manufacturers should:

- consider accepting a wider role in design and assuming systems responsibility to specifiers, perhaps through association with specialist contractors. Integrated two sheet insulated decking is an important area requiring good design as well as advice on the erection of composite panels and of decking built up separately (para 4.24);

- make improvements in the functional design of their products seen as systems, in response to criticisms from specifiers dealing with the products 'in situ' (para 4.11);

- identify and analyse the reasons for purchasing decisions made by end-users/specifiers through market research (paras 6.8 and 6.9);

- ensure literature contains technical information relating to installation and erection techniques, types of approved fixings, and on site storage precautions (para 6.6);

- review their facilities for supplying specifiers and end-users with technical information and advice (paras 7.4 and 7.5);

- consider offering retrospective discounts (para 5.9); and

- reduce the time taken to introduce new designs in order to expand the domestic product range and in response to launches by importers (para 4.23).

Cladding and decking - exports

2.14 Manufacturers should:

- consider opportunities identified by this study for supplying steel and aluminium products (paras 10.10 and 10.16);

- put effort into preparing European Standards through CEN (the European Committee for Standardisation) which are satisfactory for the UK home market. It is through BSI, as the UK member body of CEN, that British manufacturers should advocate their requirements. Until suitable European Standards are developed, manufacturers should continue to use British Standards and indicate where these comply with the main foreign standards (paras 14.1 to 14.10);

- export products to the Middle East and other third world countries (para 14.7);

- review their after sales and technical support services seeking to offer rapid replacement of faulty products and technical advice (para 13.6); and

- develop and market alternatives to those products where insurance companies consider standards are not rigorous enough (para 14.10)

Air conditioning equipment - imports

2.15 Manufacturers should:

- consider joint promotion of the benefits of air conditioning with British manufacturers of similar types of product (para 6.7);

- consider the joint publication of a guide to UK manufactured equipment (paras 6.1 to 6.9);

- take care when introducing new models, particularly those in the room unit market, to test extensively for design faults prior to the market launch (para 4.7);

- initiate, possibly through the HVACR Sector Working Party of NEDO, detailed investigations into the long term effect of increasing reliance on foreign sourced air conditioning materials and components (para 5.4);

- review the accessibility for maintenance of their equipment, particularly those manufacturers who concentrate on sectors of the market where maintenance is conducted by the end user or by installation contractors (para 4.8);

- review more closely the range of options currently available and the costs of including some of the more common ones as standard components, in order to reduce product range and thereby warehousing costs and delivery lead times (para 4.19);

- consider further expansion of their activities 'downstream' into industrial environmental control consultancy (for those manufacturers already active in close control equipment); re-orientate their sales message and literature to emphasise the heat recovery possibilities in conjunction with auxiliary equipment; look at their new models to enter the market directly with second generation heat pumps; and be more active in exploring joint venture operations with manufacturers based in Europe (para 4.1);

- consider downstream vertical integration of their business (paras 6.1 to 6.4); and

- review the possibilities of developing a two tier system of distribution, separating the task of distribution from manufacture, similar to a number of importing manufacturers (paras 6.1 to 6.4).

Air conditioning equipment - exports

2.16 Manufacturers should:

- be aware of opportunities identified by this study for export of products for specialised applications (paras 10.10 and 10.17);

- put effort into preparing European Standards through CEN (the European Committee for Standardisation) which are satisfactory for the UK home market. It is through BSI, as the

UK member body of CEN, that British manufacturers should advocate their requirements. Until suitable European Standards are developed, manufacturers should continue to use British Standards and identify where these comply with the main foreign standards (para 14.1 to 14.10);

- review their after sales and technical support services (paras 13.1 to 13.7);

- consider joint ventures with overseas manufacturers to take advantage of their distribution and marketing resources (paras 12.1 to 12.18); and

- export products to the Middle East and other third world countries (para 14.7).

GOVERNMENT AND PUBLIC BODIES

Imports and exports

2.17 Government should:

- using the example of the DOE and PSA, encourage all public and nationalised industry purchasing authorities to specify independently certified products (eg Kitemarking, Agrement certificates) wherever possible (paras 8.1 to 8.4);

- produce a document summarising all the available government schemes for financial support and circulate it to top management through the CBI, BIM and other professional institutes and associations (paras 5.1 to 5.9);

- release the base prices established on the agreements of undertaking to the United Kingdom Particleboard Association so that members can verify that the terms of the agreement are being met (paras 5.8 and 4.9).

- continue to give priority to NATLAS, the scheme under which laboratories are assessed and accredited to a NATLAS standard which will establish widespread national recognition of the competence of that laboratory to carry out defined types of testing (para 8.2);

- maintain pressure on foreign standards organisations to allow certification to be conducted in the UK (para 8.2); and

- continue to investigate allegations of chauvinistic public sector purchasing behaviour abroad. To be successful, these investigations require specific and attributable evidence from firms (paras 8.3 and 8.4).

2.18 Public bodies should:

- where they still specify special requirements, aim to satisfy their needs in future from new and improved British Standards (paras 8.3 and 8.4);

- as large purchasers, indicate major long term requirements for products in order to help producers plan their production (paras 5.1 to 5.9, 8.3 and 8.4);

2.19 The BSI should:

- having produced BS0 "A standard for standards", keep under review the composition of its committees with a view to ensuring a proper balance of interests in the formulation of British Standards (para 8.2).

- note those foreign standards which are satisfied by British Standards (paras 14.2 to 14.4).

TRADE ASSOCIATIONS

Imports

2.20 Trade associations should:

- assess the level of interest within the public sector and among their members in a standard product design range for UK material producers in each sector, and especially in product sectors where aesthetic considerations are important (para 4.18);

- keep abreast of developments at home and overseas and encourage members to modify their product ranges where appropriate (chapters 4 to 8);

2.21 The British Woodworking Federation should:

- hold discussions with the Association of Builders Hardware Manufacturers and the Guild of Architectural Ironmongers on design and supply collaboration for complete door sets (paras 4.12).

2.22 the United Kingdom Particleboard Association should:

- in addition to companies' own promotion, keep the important question of joint promotion activities under review especially in the light of developments in third-party quality certification (para 8.2).

Exports

2.23 Trade associations should:

- taking advantage of the facilities of the BOTB, actively seek out opportunities for their members in the areas identified by this study which arise from the market constraints imposed by standards (para 14.10);

- encourage an exchange of export success stories so that the industry as a whole can benefit from the export marketing experience of successful companies (paras 12.1 to 12.18); and

- explore the benefits of developing jointly for related but different products, literature, sales outlets and show-rooms abroad (paras 12.1 to 12.18).

PART A: WHY IMPORT?

3 IMPORTS[1], [2]

KITCHEN UNITS

3.1 Imports had increased their share of the UK kitchen unit market to nearly 20 per cent by 1980 as can be seen from Table 3.1. This is more than a 50 per cent increase in import penetration over a three year period.

TABLE 3.1: UK CONSUMPTION AND IMPORTS OF KITCHEN UNITS (current prices)

Year	Consumption (£ million)	Imports (£ million)	Import share (per cent)
1978	230	28	12
1979	277	39	14
1980	270	52	19

Source: Furniture Industry Research Association, IMR Research

3.2 The dominance of West German suppliers in value terms is clear from Table 3.2 which gives imports by the main countries of origin. In volume terms, imports from East Germany increased dramatically between 1978 and 1980.

TABLE 3.2: UK IMPORTS OF KITCHEN FURNITURE BY COUNTRY OF ORIGIN(1)

Country	Imports			Imports (per cent all imports)		
	1978	1979	1980	1978	1979	1980
By value, £m, current prices						
West Germany	15.1	21.5	28.6	63	64	63
East Germany	1.4	2.8	3.9	6	8	8
Others	7.6	9.5	13.0	31	28	29
TOTAL	24.1	33.8	45.4	100	100	100
By volume, thousand metric tonnes						
West Germany	7.6	9.5	12.0	38	35	37
East Germany	3.8	8.0	11.0	19	30	34
Others	8.5	9.3	9.3	43	35	29
TOTAL	19.8	26.8	32.4	100	100	100

Source: Departments of Trade and Industry

(1)Includes free standing units. Manufacturers consider these figures underestimate import penetration.

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[1] See Annex A for details of products included in the study

[2] The tables do not generally cover 1981 owing to the absence of comprehensive Customs & Excise statistics for that year

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3.3 West Germany is a major supplier not only to the UK but to all other European markets where imports of kitchen units are significant. The six leading manufacturers of kitchen units imported into the UK are estimated to have accounted for nearly half by value of total imports in 1979. Five of these are West German manufacturers (Rationale, Poggenpohl, Siematic, Hacker and Bauformat) and one is French (Bonnet).

3.4 West German, French and Italian manufacturers have aimed principally at the upper middle and top price market in the UK. It is estimated that more than 75 per cent of total imports in 1979 and 1980 were rigid assembly products in the 'high' price category; more than 45 per cent of total sales of imported products went through kitchen specialists in the same period. Some reduction in the share of imports in the 'high price' category almost certainly occurred in 1981 owing to an increase in imports through other channels than the kitchen specialists.

3.5 In the UK, the West German manufacturers deployed a highly professional market attack through the kitchen specialists who were not adequately recognised or serviced by British manufacturers. The latter's response was slow, partly through a reluctance to alienate the builders' merchants who in 1973 served over 50 per cent of the market, but whose share had by 1980 declined to 14 per cent.[1] But there were more important, and in the long term more damaging, reasons for the poor response. First, too many British manufacturers appear to have persisted in strategies relying on higher volume to achieve increased profits rather than raising profitability on existing sales. Second, they met growing pressure on prices by introducing cheaper products such as self assembly products and, by their own admission, accepting a substantialy lower margin on those products. As a result, British manufacturers as a whole have enjoyed low profitabiity over most of the past seven years. The recent closure of Hygena, one of the market leaders throughout that period, elicited the disclosure that Hygena had not operated at a profit in any year since 1973. Despite this, respondent manufacturers do not generally recognise that they suffer from any substantial price or cost disadvantage compared with importers. While UK manufacturers were slow to appreciate the potential of kitchen specialist outlets, they led the way in direct selling to customers and the development of self-assembly products.

WOODEN DOORS AND FRAMES[2]

3.6 Imports doubled their share of the UK market for wooden doors and frames from 6 or 7 per cent in 1976-78 to 13 or 14 per cent in 1979-80 as shown in Table 3.3.

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[1] Source: Furniture Industry Research Association

[2] The study has concentrated on those particular sectors of the door market which received attention from those interviewed.

TABLE 3.3: UK CONSUMPTION AND IMPORTS OF WOODEN DOORS AND FRAMES(1) (current prices)

Year	Consumption (£ million)	Imports (£ million)	Import share (per cent)
1976	96	7	7
1977	106	6	6
1978	117	8	7
1979	137	20	14
1980	132	17	13
1981			

Source: Business Monitor, IMR Research

(1) Wooden doors for pedestrian use, garages and cupboards

3.7 The low wage economies in the Far East, especially Taiwan, provide the major challenge to the UK market as can be seen in Table 3.4.

TABLE 3.4: UK IMPORTS OF WOODEN DOORS AND FRAMES BY COUNTRY OF ORIGIN (current prices)

Country	Imports (£ million)			Imports (per cent all imports)		
	1978	1979	1980	1978	1979	1980
Taiwan	4.5	8.7	7.0	53	45	44
Singapore	–	0.7	0.8	–	5	5
Phillipines	0.2	0.5	0.5	2	3	3
Malaysia	0.2	0.6	0.5	2	3	3
Indonesia	0.6	1.5	0.2	7	8	1
SUB-TOTAL	5.5	12.2	9.0	65	63	56
Sweden	0.5	0.9	1.3	6	5	8
Portugal	0.2	1.2	1.2	2	6	7
Spain	0.9	1.4	1.1	11	7	7
USA	–	0.2	0.9	–	1	6
Denmark	0.4	0.5	0.3	4	3	2
Others	1.0	2.9	2.3	12	15	14
TOTAL	8.5	19.3	16.1	100	100	100

Source: Eurostat (Nimexe)

3.8 The dominance of Far Eastern countries as exporters of wooden doors and frames to the UK has some parallel in other European countries, but the UK market has suffered greater penetration. This has been largely of louvre doors, and panel doors for external use made in lower quality 'mahogany' type woods sold through DIY merchants and multiple DIY outlets to the domestic replacement market. Imports are estimated to have accounted for between 55 per cent and 60 per cent of UK sales of louvre doors in 1981.

3.9 Extensive research by British manufacturers and the British Woodworking Federation has clearly revealed that low wages, poor working conditions and the absence of health and safety regulations in the Far East and Portugal combined to permit the sale of imported doors at prices substantially below British manufacturers' cost[1]. A case was established under anti dumping legislation for the imposition of a duty on louvre door imports from Taiwan. But the exporters escaped the effect by re-routing exports via other Far East countries. In the case of other doors, insufficient 'injury' to the UK trade could be established for government action to be taken.

3.10 Clearly, price is a major factor in import penetration from the Far East, but there were other factors. In the early 1970s UK manufacturers were unable to meet the growing demand, particularly for replacement domestic doors sold through DIY channels. Their product range was limited in design terms, unexciting and relatively expensive. The Taiwanese entered with feature panel doors in new styles based, ironically, on classic British architectural styles. The quality of the imported product was poor at first, but following early adverse reaction has improved. British manufacturers now offer an improved range appropriate to the DIY market, leaving price as the principal remaining reason for the continuing high levels of imports. However, unless protective measures are taken at EEC level, no abatement in the severity of price competition from the Far East and other low wage economies can be expected. A continued growth in imports from such countries is therefore expected. Even if British manufacturers make the attempt to 'educate' the British consumer into more discriminating purchase of higher quality products, this will necessarily take time to affect their sales. Some manufacturers consider that the major role of timber merchants and distributors in marketing doors is very important in this situation - in particular, the tendency of merchants to apply a similar product image and margin philosophy to doors as to timber, and their role as importers.

3.11 In addition to the competition from low wage economies, there has been a rapid recent growth in imports from developed countries such as Sweden and the United States. In 1980, these imports accounted for 14 per cent of total imports of wooden doors and frames into the UK compared with only 6 per cent two years earlier. Swedish imports are primarily of expensive high quality door sets sold to large private sector house builders. However, if British manufacturers wish to make inroads into the high price end of the market, they may have to accept that the bulk of their production would be for exports unless a significant change can be brought about in the expectation of the domestic consumer in the UK.

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[1] This despite the fact that the major UK door manufacturers are highly mechanised.

PARTICLEBOARD

3.12 Although imports generally declined both in volume and as a share of UK consumption in 1980 and 1981 they still supply two thirds of the UK's requirements for particleboard. Table 3.5 shows imports by type. UK production capacity is almost fully utilised and no expansion is currently planned except for the retrieval and refurbishment of capacity closed down in Scotland towards the end of 1981 and subsequently absorbed by a competitor company. The main problem is low or negative profits. The dominating UK imports have an important influence in setting the UK market price, but particularly in times of recession the lowest-priced UK imports (namely from Eastern Europe) often have a disruptive effect out of proportion to relatively small quantities involved. Because there is overcapacity in Europe generally, prices are low and this has caused mill closures in other countries as well as the UK, but UK producers are more exposed than most because of their minority share in their own market and the ability of large scale overseas producers to export to the UK what is to them marginal production.

TABLE 3.5: UK WOOD PARTICLEBOARD IMPORTS BY TYPE (thousand m3)

Product	1978	1979	% change	1980	% change	1981	% change
Standard board	762	865	+13.4	750	-13.3	791	+5.5
Melamine faced board	311	365	+17.3	238	-34.7	220	-7.6
Vinyl, laminated and other coated board	51	36	-29.3	34	-4.9	33	-2.9
Flooring and other board	215	195	-9.1	194	-0.7	206	+6.2

Source: Overseas Trade Statistics

3.13 The United Kingdom Particleboard Association estimates that 25 per cent of all particleboard imports are either variants of the product not manufactured in the UK or are types which are each distributed in relatively small quantities.

3.14 The recent increase in the significance of imports from Spain is illustrated in Table 3.6 which shows the principal suppliers to the UK. Between 1979 and 1980 imports of Spanish particleboard more than doubled, partially owing to currency fluctuations, to account for 20 per cent of total UK imports. By comparison, Spanish particleboard only accounted for 7 per cent of West German imports, which is Europe's second largest importer in volume terms, following the UK.

TABLE 3.6: UK IMPORTS OF TOTAL PARTICLEBOARD(1) BY COUNTRY OF ORIGIN

Country	Imports (thousand m3)				Imports (per cent all imports)			
	1978	1979	1980	1981	1978	1979	1980	1981
Spain	124	122	252	303	9	8	20	23
Finland	183	247	211	179	13	16	16	14
Belgium	320	308	203	196	23	20	16	15
Sweden	220	260	201	218	16	17	16	17
West Germany	115	140	88	108	8	9	7	8
Portugal	42	90	65	50	3	6	5	4
Austria	76	74	58	52	5	5	4	4
Others(2)	332	301	202	199	23	19	16	15
TOTAL	1413	1540	1280	1305	100	100	100	100

Source: Overseas Trade Statistics
(1)SITC Code 634.42, Code Number 4418 which includes flaxboard
(2)Includes France, Norway, Switzerland, Denmark, Soviet Union, Rumania

3.15 Currency fluctuations which have favoured the Belgian franc as against the pound are thought, by UK manufacturers, to have benefitted Belgium's export performance. Other factors which have contributed to the strength of the leading foreign competitors are their lower energy and raw material costs, transport and freight subsidies, and the flexibility of their larger presses. Anti-dumping suits have been instituted and completed successfully against Spain, Sweden and Finland within the last four years.

3.16 The significance of foreign suppliers varies for different particleboard products. In 1981 the major suppliers of imported standard board were Spain, Sweden, Finland and Belgium; while for melamine faced board they were West Germany, Belgium and Austria. Standard board accounted for 61 per cent of total UK imports of particleboard, and melamine faced board for 17 per cent. Vinyl laminated and other coated board (other than veneered) represented approximately 3 per cent of UK imports with major suppliers being West Germany, Finland and Austria. Flooring and other board represented 16 per cent, primarily supplied by Finland and Sweden.

3.17 The lowest priced imports are suggested to be approximately 30 per cent below those which the UK and other North European particleboard industries consider to be economic.

CERAMIC TILES

3.18 Imports of glazed ceramic tiles have risen rapidly in recent years to reach about a third of UK consumption in 1980 as shown in Table 3.7. Imports of unglazed ceramic tiles are much lower, not only in terms of value (£1 million in 1980 compared with £27 million for glazed tiles), but also in terms of import penetration which is less than half that of glazed tiles.

TABLE 3.7: UK CONSUMPTION AND IMPORTS OF GLAZED CERAMIC TILES (current prices)

Year	Consumption (£ million)	Imports (£ million)	Import share (per cent)
1976	35	5	15
1977	43	8	17
1978	57	15	26
1979	70	21	30
1980	85(1)	27	32(1)

Source: Business Monitor, IMR Research
(1)estimate

3.19 The leading world producers of ceramic tiles are Italy, Brazil and Spain. Brazil has made little impact on UK markets, but Italy and Spain together account for around 70 per cent of imports of glazed ceramic tiles into the UK, with Italy by far the larger of the two as shown in Table 3.8. By comparison, Italian tiles accounted for 75 per cent of the much larger imports of ceramic tiles into West Germany (itself a major producer and exporter) and 58 per cent of French imports.

TABLE 3.8: UK IMPORTS OF GLAZED CERAMIC TILES BY COUNTRY OF ORIGIN (current prices)

Country	Imports (£ million)			Imports (per cent all imports)		
	1978	1979	1980	1978	1979	1980
Italy	9.1	13.5	15.7	63	66	60
Spain	1.1	1.8	3.0	8	9	12
Netherlands	1.3	1.5	2.7	9	7	10
West Germany	1.0	1.6	1.7	7	8	6
Others	1.9	2.1	3.1	13	10	12
TOTAL	14.4	20.5	26.2	100	100	100

Source: Eurostat (Nimexe)

3.20 Italy's strength derives from a long period of post-war investment, with substantial government aid in a region with severe unemployment but ample resources of clays and marls suitable for tile manufacture. Investment continued up to the mid 1970s and the industry is now the fourth largest in Italy, comprising several hundred manufacturers. Italian manufacturers are generally more highly mechanised than British ones and until very recently the firing processes employed by them gave far higher economies in the use of energy. It is hoped that considerable recent investment in new plant by British manufacturers will enable them to aproach or match the economies of scale which have been achieved by the Italians - the latter assisted by a series of special investment concessions from their government.

3.21 From the very much larger number of manufacturers, the Italian industry has been able to offer a very wide range of designs; this is regarded as one of the principal reasons for their successful import penetration, particularly into fashion conscious domestic markets. Price is another important reason.

3.22 Similar reasons account for the success of Spain as an exporter of ceramic tiles to the UK. They are currently regarded as having the lowest production costs of European producers. Spanish glazed ceramic tiles are seen as a major threat, particularly in the multiple chain channels of distribution. Spanish delivery performance has been erratic or generally poor; however, if this is improved, they can be expected to take a much greater and growing share of the UK market.

3.23 For twenty years there has been no British manufacturer of tile-making equipment able to supply the major needs of the UK tile manufacturers. In contrast, West Germany and Italy have large and well equipped supply industries. UK tile manufacturers have therefore tended to follow continental technology and styles late in the day, and at inflated cost.

3.24 Although unglazed ceramic tiles represented less than 5 per cent of all ceramic tile imports in 1980, import penetration of the UK market for these tiles has increased from nearly 10 per cent in 1978 to 14 per cent in 1980. West German imports accounted for 60 per cent of imports of unglazed ceramic tiles in 1980, with Villeroy & Boch the largest single manufacturer. The imported tiles are offered in a wider range than British ones. This is seen as a factor in import success.

CLADDING AND DECKING

3.25 Although aluminium accounts for only about a tenth of the area of cladding and decking laid in the UK, it represents just over a quarter of the area of all imported cladding and decking as can be seen from Table 3.9. Both these shares would, of course, be much higher in value terms.

TABLE 3.9: UK CONSUMPTION AND IMPORTS OF ALUMINIUM, STEEL AND ASBESTOS CEMENT CLADDING AND DECKING, 1980

	Consumption(1)		Imports(1)		Import share (per cent of consumption)
	Million m2	per cent all consumption	Million m2	per cent all imports	
Aluminium	2	9	1.0	26	48
Steel	10	41	1.2	30	12
Asbestos cement	12	50	1.7	44	14
TOTAL	24	100	3.9	100	16

Source: IMR Research
(1)Areas as laid. To estimate material supply, an allowance should be added for overlaps, joints, waste etc.

3.26 Imports of aluminium cladding and decking have increased from 10 per cent of the UK market to 50 per cent in the last decade with most of the increase taking place in the first five years. The principal suppliers of such imports are Granges Essem (Sweden) and VAW (West Germany), the former accounting for a very large market share. When Granges Essem entered the UK in the early 1970s, the market was dominated by two domestic manufacturers who enjoyed high profit margins and relatively little competition. Granges Essem offered a product made of an alloy which was stronger in some respects than that used by the British manufacturers, permitting the sale of a thinner gauge and hence cheaper product. The Swedish product was offered in a wider range of colours and profiles, with a superior deal to distributors, and backed by superior literature and technical support. British manufacturers chose at first to maintain their profit margins rather than to defend their market shares. As the Swedish company's share grew alarmingly, British manufacturers attempted to match them in product, price and support terms, but their response was slow and is even now incomplete, particularly in relation to delivery performance.

3.27 Asbestos cement imports of corrugated sheets, flat sheets and slates have increased from 10 per cent of the UK market in 1978 to 14 per cent in 1980. In the latter year, asbestos cement accounted for an estimated 44 per cent of the area of all cladding and decking imports (see Table 4.9). In value terms this would have been a much lower share. Three quarters of the imports came from Belgium/Luxembourg in 1978 and 1979 (the most recent figures available). Imports are largely of flat sheet and slates; those of corrugated sheet have been small. Continental European markets for asbestos cement slates have been much larger than the UK one, giving rise to economies of scale. The principal reasons for import penetration are price (due to lower continental prices for cement), a recent shortage of capacity in the UK which is believed to be of a temporary nature, and the depressed state of the European market.

3.28 The widespread prejudice against asbestos of all kinds, whether or not justified on health grounds, in unlikely to reduce. Conditions are accordingly very favourable for the introduction of cladding and decking products made from materials substituting for asbestos cement. British manufacturers are aware of the import threat which will develop if they do not keep pace with any developments in this field.

3.29 Steel cladding and decking imports accounted for little more than 10 per cent of the UK market for steel cladding and decking in 1980 (see Table 4.9). The principal reason for the relatively low level of such imports is the marked preference of British purchasers for products coated with BSC's Plastisol, a preference not shared by overseas purchasers. Principal suppliers to the UK are Plannja (Sweden), Hoesch (West Germany), Metecno (Italy and France) and Perfrisa (Spain - purchasers of British coated coil). UK manufacturers see as a great danger the eventuality that an energetic importer will establish a base from within a possible UK manufacturer of cladding and decking. They believe this danger is exacerbated by the BSC pricing structure.

3.30 Composite panels are estimated to account for 5 to 8 per cent of the UK cladding and decking market. Imports are believed to account for the greater share of such products with Hoesch, Metecno and Perfrisa supplying the majority. Three factors strongly favour the use of composite products, particularly flat panels. Legislation requires the achievement of specified insulating values in the walls and roofs of most new buildings; continuing high interest rates encourage methods of construction which reduce overall construction times and hence favour the use of pre-fabricated products; and there is a fashion trend away from the corrugated look and towards the 'curtain wall' appearance which can be achieved with flat panels.

AIR CONDITIONING EQUIPMENT

3.31 Imports have captured approaching a quarter of the UK market for all air conditioning equipment (including ductwork) in the five years to 1980 as shown in Table 3.10. These total figures, however, hide a noticeable fall over the last three years in the proportion of imports accounted for by machines not incorporating a refrigeration unit, and a large increase in 1980 in the imports of machines including a refrigeration unit. There is concern in the industry that imports have been kept at bay by much reduced profit margins and by the weakness of UK demand at the same time as continuing strong demand for air conditioning equipment in other parts of the world, notably the Middle East.

TABLE 3.10: UK CONSUMPTION AND IMPORTS OF AIR CONDITIONING EQUIPMENT (1980 prices)

Year	Consumption (£ million)	Imports (£ million)	Import share (per cent)
1976	98	23	23
1977	117	26	22
1978	110	26	24
1979	108	25	23
1980	112	25	22

Source: Business Monitor, Overseas Trade Statistics

3.32 The main foreign sources are the USA, France, Italy, West Germany and Sweden which together accounted for over three quarters of UK imports in 1980 as shown in Table 3.11. For equipment incorporating a refrigeration unit, imports are dominated by the USA, France and Italy. The Japanese share of this market has, however, doubled over the last four years to around 8 per cent. The West German share has fallen by a similar amount over this period. For equipment which does not incorporate a refrigeration unit, the USA and France are also dominant, accounting for nearly a quarter of all imports. Italy, Sweden, and West Germany each supply a tenth.

TABLE 3.11: UK IMPORTS OF AIR CONDITIONING EQUIPMENT (INCLUDING PARTS) BY COUNTRY OF ORIGIN (current prices)

Country	Imports (£ million)			Imports (per cent all imports)		
	1978	1979	1980	1978	1979	1980
USA	6.4	6.4	7.9	32	29	32
France	3.6	4.7	5.0	18	22	20
Italy	2.3	2.5	2.8	11	11	11
West Germany	1.6	1.9	1.8	8	9	7
Sweden	1.5	1.6	1.7	7	7	7
Switzerland	1.1	0.8	1.1	5	4	4
Japan	0.6	1.1	0.8	3	5	3
Netherlands	0.8	0.5	0.7	4	2	3
Other	2.5	2.3	3.2	12	11	13
TOTAL	20.4	21.8	25.0	100	100	100

Source: Eurostat (Nimexe)

3.33 A high proportion of the imports from France, Italy, the Netherlands, Benelux and Spain are manufactured by US subsidaries and licensed manufacturers in these countries, and are imported into the UK by the parent organisation. Approximately 40 per cent of imports, particularly those imported directly from the USA, are brought into the country in an unfinished condition (usually excluding wiring and controls). The three major threats to the home market in the short term are increasing Japanese competition across all products, further expansion of the US control of the UK market as a result of continued product development, and increased imports from low wage economies including Spain (especially following the inclusion of Spain in the EEC).

Room units and small split systems to 7kw

3.34 There is at present only a limited import problem in this sub-sector with domestic manufacturers supplying around 85 per cent of the market. Imports have, however, been held at bay primarily due to intense price competition between UK manufacturers. This has lead to very low profitability and subsequent low investment so that much of the UK industry is in a poor competitive condition to respond to an upturn in the market. There are substantial fears that an expansion in the market could lead to a rapid growth in imports, particularly of Japanese equipment.

3.35 This sector has always suffered from frequent short term attacks by a multiplicity of foreign suppliers, at least partly due to the open nature of the market from a standards point of view. A particularly recurring theme has been the import of very cheap North American (notably Canadian), Italian and Spanish units which have sometimes been repackaged by UK manufacturers and sold as UK equipment. Of more concern nationally is the increase over the last three to four years in the foreign component content of the UK manufactured units.

Other packaged air conditioning machines over 7kw

3.36 Imports supplied over 60 per cent of this market (excluding ductwork) in 1981, which is dominated by American manufacturers, primarily Carrier (sold as Carlyle in the UK), Trane, Westinghouse and York. The first three companies import equipment in this range both directly from the USA and also from their European subsidaries. Until its recent factory closure, Trane manufactured some of this equipment in Scotland. York are now the only major UK company with a large UK manufacturing facility (at Basildon, Essex) - however, most York equipment in this segment of the market is imported.

3.37 UK manufacturers concentrate on close-control custom-built equipment. They are very small by comparison with the US giants, and although some have attempted to attack the larger 'comfort' air conditioning market, success has been very limited.

Central station air-handling units

3.38 Importing manufacturers have nearly a quarter of this market (excluding ductwork). There are two main foreign sources, Sweden (Flakt and Bahco) and Switzerland (Luwa). Flakt have been particularly successful over the last four years. Although a major reason was their very competitive prices prior to 1979, their more recent success has been due to a comprehensive product range and excellent ancillary services. In many respects Flakt's approach has been similar to the comprehensive market strategy of the US manufacturers. UK companies in this sub-sector are noted for their relatively small scale of production with no manufacturer accounting for more than 20 per cent of the market. Almost all manufacturers have suffered a serious reduction in profit levels over the last three years.

4 PRODUCT POLICY

MARKET PLANNING

4.1 UK manufacturers of the products examined in the study have generally adopted a policy of following trends rather than initiating them and this has often led to competitors developing new market opportunities and gaining a foothold in the UK. Historic examples include the entry of Granges Essem into aluminium cladding based on the use of lower specification material, and continental manufacturers penetration of the solid wood kitchen unit market.

4.2 Some UK manufacturers have been successful in designing and planning their products for special situations or other selected markets - thereby avoiding direct confrontation with importers. This strategy can be most profitable, although dependent on the number and size of suitable markets. Concentration on very few markets will, of course, make a company particularly vulnerable to the fortunes of these markets. Where companies choose to compete in the mass market rather than in more selected markets, price competition can be intense with serious consequences for profitability.

4.3 The research suggests that there is plenty of scope for UK manufacturers of some products (notably air conditioning and kitchen units) to gain market advantages based on design innovations. For example, air conditioning equipment such as large duty packaged equipment is primarily selected according to performance specifications drawn up by consultant building service engineers. There are many special situations where one aspect of the specification will become paramount. In order to compete with imported equipment, which tends to be based upon large scale production of standardised units, many UK manufacturers have adopted a policy of designing their equipment to optimise its performance for a specific application.

PRODUCT DESIGN

4.4 Aesthetic aspects of design are of paramount concern in the specification and purchase of kitchen units and ceramic tiles , while functional aspects are a major criteria in the selection of cladding and decking, particleboard and air conditioning equipment. For doors, both aspects are important, the relative significance varying with the particular requirements.

Functional aspects of design

4.5 Functional aspects of design are not only concerned with 'how well a product works' but also with its ease of manufacture, distribution, installation, maintenance and possible modification. This section concentrates on the first aspect; the others are discussed elsewhere. British manufacturers in the six product sectors are seen by specifiers, distributors, and users to be conservative with regard to functional design particularly concerning the use of new materials, new specifications for existing materials, and their assessments of users' requirements. The research indicated a number of design weaknesses noted by some specifiers, distributors and contractors. These are discussed below as they could favour imports.

Ease of assembly

4.6 There is a wide variation in the ease of assembly of self-assembly kitchen units. It seems likely that as the rigid-assembly market becomes increasingly competitive and a self-assembly market starts in some continental countries, importers will attempt to take a share of the growing UK self-assembly sector. Any poorly designed self-assembly systems will be vulnerable to competition from better systems, either imported or British made.

Faults in new products

4.7 Contractors and distributors of small UK air conditioning equipment gave examples of minor design faults which, in their opinions, should have been discovered in advance of the product launch. Respondents recognised that they were less likely to experience problems with imports since these are almost invariably copies or slight modifications of products already established and tested in the home market of the foreign manufacturer. In most cases the design problems were small and are not generally thought to have been a major factor in import penetration, particularly not, to date, in the room air conditioner market. This sector, is however, expected to grow rapidly when the market recovers, and the existence of such design faults could then be a factor in encouraging the use of imported products.

Accessibility for maintenance

4.8 An important aspect of functional design for the air conditioning market is the question of accessibility for maintenance purposes. This is particularly so for installation contractors who expect to provide a maintenance service to their customers and for buyers, such as local authorities, who will themselves be responsible for maintenance. British manufacturers of air handling units and some packaged units were criticised regarding the accessibility of their equipment, although some imported equipment also suffered from this fault.

Poor surface finish and poor performance of materials

4.9 Thirty per cent of the kitchen unit manufacturers contributing to this study import most or all of their particleboard because the available UK products are inadequate. The most common faults were poor surface finish, and a soft core which failed to hold screws and swelled readily with moisture. On the other hand, the UKPA predicts that by 1983 a much bigger proportion of the available UK production capacity will be devoted to meeting the higher quality requirements of this and other furniture manufacturing sectors.

4.10 Although the functional quality of particleboard may be a secondary purchasing consideration in relation to price in the construction industry, it is still an important factor. UK particleboard used in construction has been criticised by some major consumers for poor machining of TNG flooring board panels, a moisture resistant sealant which inhibits proper bonding when an adhesive is applied, poor moisture resistance and poor product quality (as defined by resin content and surface finish). There is evidence to suggest that some UK manufacturers are lowering the functional quality (particularly in terms of resin content) of their board for construction applications in order to reduce production costs and lower their prices to compete with imported products. This has resulted in complaints from some end users.

Performance of materials as components for a system

4.11 As cladding materials are components in a building construction system, their performance depends not only upon the intrinsic properties of the material, but also on the manner of the material's assembly to form part of a roof or wall and the interface of the material with other elements of the building. Architects criticise particularly the poor quality of watertightness of assembled cladding and jointing systems. The manufacturer may, of course, regard the criticism as unjustified with the failures due to poor erection or poor achitectural design.

4.12 Specifiers consider the most significant functional weakness in the door market is the lack of collaboration between the people who make doors and those who make the ironmongery or hardware. This is not so on the continent, possibly reflecting different methods of sale. Joint British Woodworking Federation/Association of Builders Hardware Manufacturers/Guild of Architectural Ironmongers discussions would be beneficial. The aim would be to improve the functional quality of doors on such matters as the closer to door connection, the hinge to door connection and position, and the relationship of door furniture such as bolts, locks etc.

Aesthetic aspects of design

4.13 British manufacturers are not regarded as innovative in design generally. One leading designer's opinion is that, "British Industry hesitates over anything new, looking for a similar sort of design already on the market for encouragement". Manufacturers face a dilemma; innovation in design carries higher risks of failure than does following fashion trends. Respondents generally point to the 'flair' of the Italians in relation to tile and furniture design, the West Germans in relation inter alia to the design of kitchen units and to the Scandinavians and West Germans in relation to the design of wooden doors and frames. Respondents evidently associate this 'flair' with the commercial success of suppliers from those countries in UK markets. However it could be that Italian and West German customers have a more sophisticated design sense than the British, thereby making it easier to design the same product for home and export. Personal taste is, of course, an important factor in aesthetic design.

4.14 British manufacturers need at least to match the innovative ability of their foreign competitors. One suggestion made by architects is that manufacturers collaborate in the generation of one or two product designs each within a coherent 'British' style and aimed at both home and overseas markets. In the kitchen unit product sector, for example, designs of British, French, West German and Italian manufacturers are relatively undifferentiated by country of origin, or manufacturer, conforming generally to a number of distinct ranges (solid wood; colourised decorative melamine faced chipboard; hygenic white look etc) within a total European idiom.

4.15 In glazed ceramic wall tiles, what some critics describe as 'pallid floral designs in murky shades' abound. But specifiers, wholesalers and builders all praised some recent British manufacturer design initiatives, both by market leaders aiming at consumer markets and by the smaller 'studio' manufacturers supplying architects and interior designers. The larger manufacturers are also praised for their recent preparedness to manufacture tiles in shorter runs. One had introduced 50 new designs in 18 months.

4.16 Although manufacturers of wooden doors and frames in the sector of the market concerned, consider the low price of doors from South East Asia is primarily responsible for their high import penetration, they concede that aesthetic design was a contributory factor. After some initial failures, the quality of these imports improved. No respondent manufacturer referred to any high quality import threat - all claimed that British quality is very good. However, this is not the general belief of non manufacturer respondents.

Design co-ordination

4.17 Design co-ordination is a common theme in the kitchen unit and glazed wall tile product sectors, as well as in many related product sectors. There is already a good measure of co-operation between some manufacturers of tiles and ceramic sanitary ware, tiles and kitchen units, and kitchen units and appliances. However, it is our belief that further opportunities exist in the UK market for a greater degree of design co-ordination across product sectors than has been common hitherto. Many respondents are forecasting the emergence of retail outlets and 'studios' within large DIY warehouses specialising in kitchen units and appliances; bathroom and toilet sanitary ware, and ceramic and other wall and floor tiles. Design co-ordination would be an essential feature in their product market strategy.

Standard product design range

4.18 It is suggested that in product sectors where aesthetic considerations are important, architects would welcome an industry (or trade association) sponsored standard product design range available for manufacture by any British producer and thus specifiable without limitation to one supplier. A wide choice of styles, colours and size would, of course, still be required for many specifications. One architect mentioned the EJMA range of kitchen units as a good example of such a common product design range. As a step in this direction for doors, and to eliminate endless permutations, the PSA/DHSS have established a public sector size/type range with alpha numeric coding. This has been well received in the industry as it provides an easy way of identifying user requirements. The large volume manufacturers are not, however, involved in this work.

Product range

Width of range

4.19 Many UK manufacturers interviewed thought that product range was a central issue in their customers' selection of suppliers. They believed that distributors particularly wish to offer a wide range of alternative products and thus purchase from a large number of suppliers, often including overseas companies. However, specifiers and distributors generally held the opposite view, criticising the excessive breadth of product range still produced by some of their suppliers which forced the distributors to hold high level of stocks. Some UK manufacturers, particularly of small packaged and room unit air conditioners, were criticised for offering too many product options and thus providing distributors with a major stocking problem. In one British kitchen unit manufacturer's literature, one of the 16 ranges offered had 270 possible variants of front and worktop combinations. Respondent kitchen specialists, builders' merchants and specifiers regard such a wide range of options as unnecessary and likely to lead to both confusion in ordering and long delivery.

4.20 In contrast to the above problems with excessively broad ranges, the range of decorative finishes available in UK produced melamine faced board and other coated board is generally though to be far too limited by the furniture industry. Only DIY distributors thought that the existing range of UK decorative finishes was sufficient to meet market demand. The lack of variety is frequently cited by furniture manufacturers as a reason for sourcing abroad.

4.21 UK particleboard manufacturers could improve their competitive position in the home market by increasing their press sizes to those of continental Europe. The use of larger presses would enable manufacturers to accommodate a greater variety of customers' requirements. Large consumers of particleboard who do their own cutting claim that imports from larger press sizes can reduce their wastage by 5 to 6 per cent.

4.22 One area where UK suppliers were thought to have an advantage was their practice of continuing ranges of ceramic tiles for a longer period than is customary for many smaller foreign companies.

Time taken to introduce new designs

4.23 Respondent specifiers and designers considered that UK manufacturers were slow not only in deciding to introduce new designs but in producing the new products once the decisions had been made. However, it should be noted in the case of doors, the major part of import penetration arises from the copying of manufactured UK products.

OPPORTUNITIES

4.24 The research indicates that various current markets are not being adequately met by UK manufacturers including the demand for: a contracting and systems approach to cladding and decking supply; composite cladding panels; high quality door sets; more stringent public sector requirements for kitchen units; and light-bodied glazed floor tiles. Some of these markets, which are discussed below, may offer major opportunities to UK manufacturers:

- British cladding manufacturers concentrate on the properties of the material, its profile, coating and aesthetic finish; whereas specifiers are concerned with the performance of the product in use. The latter need suppliers with site experience who can not only advise on performance but take responsibility for the cladding system as a whole. In the absence of such a service from UK manufacturers, imports are likely to increase. Some of the larger, better staffed specialist contractors could also emerge as prime supplier/designer/erectors, particularly if they have systems made to their own specification, based on their more direct experience of site conditions, erection and interfacing with other building elements. Comprehensive design and testing services are available from manufacturers at present. As they are costly, manufacturers need to be reasonably assured that when a specifier has used this help in his design, he will not allow the contractor to start a Dutch auction or amend the specification to a lower standard and price.

- The largest volume of cladding imports is currently into the aluminium profiled sheet segment, but of growing concern is the importation of composite panels from Spain, West Germany and Italy.

- A large number of British manufacturers of wooden doors and frames concentrate on the low-priced domestic market and suffer strong competition from imports from South East Asia. There could be a case for more firms to consider producing doors for the higher priced, higher quality market in the UK.

- The research indicates that some current UK kitchen units do not fully satisfy the requirements of local authority purchasers in terms of durability, moisture penetration and screw holding. This may partly be due to the depressing effect of financial pressures and tendering procedures on price and thereby on quality.

- Glazed floor tiles, for long popular in continental Europe, have been gaining popularity in the UK for the past five to ten years and there is evidence that this market, though still small, is growing fast. However, British manufacturers regard the light-bodied glazed floor tile made for the European markets as of unsatisfactory quality, particularly in respect to the glaze. They have accordingly decided against investing in their production although they are considering investment in capacity for strong bodied glazed floor tiles.

5 COMMERCIAL POLICY

Production costs

5.1 Manufacturers in all product sectors made particularly wide reference to low profitability over many years as a factor leading to low capital investment and consequent production cost disadvantages in comparison with their foreign competitors. Economies of scale of leading major European manufacturers are also widely reported as giving them a cost advantage; West German manufacturers of kitchen units; Swedish manufacturers of air handling units; Italian manufacturers of ceramic tiles[1]; and Swedish and Finnish manufacturers of particleboard are instanced. Energy costs, the availability and cost of domestic raw materials and components, transport costs, foreign government subsidies and currency fluctuations were also cited as major issues resulting in higher operating costs for UK manufacturers in comparison with their foreign competitors.

Low capital investment and economies of scale

5.2 Evidence was found of the benefits of investment in new plant in terms of lower production costs for ceramic tiles and air conditioning equipment. The achievement of economies of scale is a commercial objective of paramount importance to the UK particleboard industry owing to very competitive import prices.

Energy costs

5.3 The British Government's energy pricing policies are seen by manufacturers of particleboard as resulting in cost disadvantages for them compared with continental European manufacturers. Energy accounts for approximately 20 per cent of the total operating costs of the UK particleboard industry and 16-20 per cent for ceramic tiles. As shown in Table 5.1, UK energy prices for large users in October 1981 were above the average for selected EEC countries for firm gas, fuel oil and gas oil, but below for interruptible gas and electricity. Since then, changes in the 1982 Budget have brought UK prices closer to EEC ones, especially for firm gas.

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[1] However, during 1982 direct manufacturing unit costs of UK ceramic tile producers were brought approximately into line with those of foreign competitors following major investments by the two major manufacturers.

TABLE 5.1: AVERAGE ENERGY PRICES TO LARGE INDUSTRIAL CONSUMERS: UNITED KINGDOM vs OTHER EEC COUNTRIES (1 October 1981)

Form of Energy	United Kingdom	Other(1) EEC	United Kingdom More or less by: (per cent)
Gas (firm)(2)	29.2	27.0	+ 8.1
Gas (interruptible)(2)	24.3	26.8	- 9.4
Electricity(3)	2.78	3.02	- 8.0
Fuel Oil(4)	104.38	100.34	+ 4.0
Gas Oil(4)	163.58	159.90	+ 2.3

Source: IMR Research
(1)Belgium, West Germany, France, Italy, Netherlands
(2)p/therm
(3)p/kWh
(4)£/tonne (including tax)

Availability and cost of raw materials and components

5.4 Large scale reliance on foreign component suppliers, as in air conditioning, makes manufacturers vulnerable to shortages. The situation in air conditioning has become noticeably more serious over the last three to four years. In nearly all cases the main reason is the price available from foreign manufacturers - this price competitiveness has been markedly increased by the recent strength of sterling. A number of critical components are no longer available from UK manufacturers. Many simple components lend themselves to mass production techniques with substantial economies of scale. The manufacturers which have survived have been those which have been geographically located in the larger markets (especially the US, Japan, and to a lesser extent, France and Italy); although at a later stage of development some of these companies have subsequently moved all or part of their manufacturing capabilities to low wage economies in the developing world and to some parts of Europe, frequently under licensing arrangements.

5.5 Information from the Forestry Commision indicates that round timber and residues from sawmilling are available in the UK at prices comparable with and in some cases more favourable than prices in other countries. However, wood by-products used in particleboard manufacture, which account for approximately 30 per cent of total operating costs (production plus transport costs), are widely perceived by particleboard manufacturers as being more expensive in the UK than elsewhere in Europe because of the separation of the timber milling and particleboard industries. Any disadvantage in cost which is caused by additional transport could only be eased by integrating particleboard mills with sawmills or locating them more favourably in relation to their material suppliers. Resin costs (which account for between 10 and 20 per cent of total operating costs) are approximately 10 per cent higher in the UK than continental Europe owing to higher transport costs with UK particleboard manufacturers typically remote from major roads, and less competition among UK resin and chemical suppliers.

Transport costs

5.6 UK particleboard manufacturers' transport costs are high because of their distance from motorways and major roads. This cost disadvantage (which represents some 10 per cent of operating costs) is further exacerbated by the transport subsidies received by the industry in principal exporting countries (notably Norway and Sweden). Similarly for doors, transport costs are important as production is concentrated in large factories.

Currency fluctuations

5.7 Many respondents believed than an even more important factor than lower production costs is the automatic export price advantage conferred on foreign companies where currency movements favour weak foreign currencies against a stronger pound.

The importance of price

5.8 Despite their awareness of various cost disadvantages, manufacturers gave little emphasis to price as a determinant of competition, except for wooden doors/frames, particleboard and asbestos cement slates. UK manufacturers in the first two markets have at times initiated anti-dumping cases - for doors against Taiwanese producers, for particleboard against manufacturers in Sweden, Finland, Spain and East European countries. Most of these actions succeeded - against louvre doors from Taiwan, and most of those concerning particleboard. In the air conditioning sector, price is becoming more widely accepted as a major determinant for contractors where standardised packaged products are in demand. Generally respondents were unaware of the various government schemes for financial support which are available.

Trade margins and discounts

5.9 Wholesalers, retailers and specialist sub-contractors for all product sectors cite as a major reason for import penetration the significantly better trade margins and discounts available to them from foreign suppliers. This, in turn, they generally attribute to British manufacturers' higher costs for which lower investment, capital and labour productivity are blamed. These factors are also seen by distributors to be at least partly responsible for British manufacturers' poor competitiveness in non-price factors, as low margins for distributors lead to a reduction in the standards of marketing, service and product support which they are prepared to provide. Where price factors are seen by manufacturers to be central to import penetration, they tend to under-rate the contribution of non-price factors.

6 MARKETING

Channels of distribution

6.1 The product sectors studied fall into two distinct groups in relation to marketing. For cladding/decking, air conditioning and construction applications of particleboard, sales direct to end users are of comparatively little importance; however, for kitchen units, ceramic tiles, and to a lesser degree wooden doors, retail sales through a wide variety of outlets or direct from manufacturer to end user have become the largest and fastest growing segments of the UK market, largely through the growth of DIY home improvement.

6.2 In the first group (cladding/decking, air conditioning and construction applications of particleboard), distributor or contractor involvement is prevalent. In the latter group (kitchen units, tiles and doors), manufacturers have experienced a decade of substantial innovations in channels of distribution, such as the emergence and growth of kitchen specialists, tile specialists, and multiple DIY stores.

6.3 There have been significant changes in the attitudes of the larger groups of builders' merchants. The purchasing power now concentrated in some of these groups, coupled with aggressive, often national, advertising of outlets to the consumer has caused manufacturers in many product areas to reassess the value of attempting to maintain their own company or brand identities. Retailers' 'own brand' kitchen units, for example, are estimated to have accounted for 15 per cent of UK sales in 1978, 18 per cent in 1979, and are forecast to increase to 50 per cent or more during the 1980s. Some manufacturers have successfully rationalised their marketing strategies; but many have been slow to adjust to the changing structure of the market place, sometimes out of a sense of loyalty to traditional channels, often through inertia. Having no established distribution to defend and in order to direct their attack on a chosen quarter, new entrants, particularly importers, tend to concentrate on new channels of distribution.

6.4 The choice of a wide range of market segments and channels of distribution by many British manufacturers in the kitchen unit, ceramic tile and wooden doors sectors gives rise to diseconomies of scale in both selling and advertising costs. In addition, trade customers for kitchen units and doors express a strong preference for purchasing from a manufacturer who is dedicated to achieving market success through limited channels of distribution. Manufacturers, on the other hand, see commitment to a narrow channel of distribution as carrying the risk of excessive bargaining power in that channel. They are also aware that some trade customers aim to order a complete package of products from a single merchant.

Advertising and product literature

6.5 In those product sectors in which consumer retail purchases now account for the largest part of the UK market, manufacturers have been slow to adopt the sort of advertising policies commonly associated with consumer products. In both the kitchen unit and ceramic tile product sectors, where retailers' 'own brand' sales have been growing rapidly, many British manufacturers limit their advertising to establishing a demand for their company branded products amongst consumers, and have yet to commit themselves to a policy of supporting their chosen channels of distribution by advertising both product and outlet. This should be accompanied by training for distribution and the preparation of sales material.

6.6 A number of criticisms were made of British product literature: for kitchen units, it was said seldom to afford the reader a clear view of the total range of designs available; for particleboard, the need was to increase the amount of technical information to the level in foreign literature. On the other hand, literature for cladding and decking was thought to have considerably improved.

6.7 Although the research tended to support the notion that UK specifiers are less chauvinistic than their European counterparts, it was equally clear that a substantial proportion of specifiers felt that they would more often like to be able to 'buy British'. Contractors stated that they had noticed a definite trend during the recession towards end users desiring to 'buy British' from both the public and private sectors. UK manufacturers should take more advantage of these developments which have also been noted by importers who have been making special efforts to make their products more 'British' by using UK components; by stressing their use of UK contract labour; or simply by stressing how long they have been selling in the UK.

Market information

6.8 The importance of the regular availability of good market information and forecasts is emphasised. Trade and purchaser respondents in the kitchen unit, ceramic tile, door/frame and cladding/decking product sectors made particularly wide reference to some British manufacturers' apparent lack of adequate market information when compared with foreign suppliers. These respondents considered that British manufacturers generally keep themselves well informed on the total UK market size and on the shares of competitors and different classes of distributors and purchasers, but appear to be less well informed on changes in product preferences, and in the relative weight of the factors taken into account by specifiers and decision-makers.

6.9 Trade respondents in general remarked that British firms provide few, if any, opportunities for open discussion between distributors and manufacturers. They believe that trade conferences would provide manufacturers with an important source of market information with the added advantage of rapid exchange of views between distributors on successful sales methods and tactics. Foreign companies were generally found to be more interested in establishing a 'two-way' conversation with their distributors and, in some cases, seek their distributor's advice before launching a new product.

7 SALES SERVICES

Delivery performance

7.1 Particularly when the construction industries suffered from overheating in the 1960s and early 1970s, British manufacturers incurred a poor reputation for delivery performance in comparison with foreign competitors. Firms were very aware of this handicap, readily accepted the contribution that their past performance had made to the establishment of the poor reputation, and gave evidence of improved performance. However, specifiers and purchasers feared that British manufacturers will revert to the relatively poor delivery performance of past booms when market conditions improve. Unreliability and/or imprecision of the delivery date (ie given in terms of a week rather than a day) can be greater problems than the length of delivery lead times.

7.2 Specifiers and manufacturers alike were unable to provide comprehensive reasons for poor delivery performances although a number of contributing factors were found to be repeated in various of the sectors studied including:

- lack of structured internal procedures for progressing orders
- complex or defective ordering procedures
- inadequate stockholding facilities for both components and finished products

Defects and shortages

7.3 The most widespread unfavourable comparison made by customer respondents between British manufacturers and their foreign competitors relates to the incidence of defects, damage and shortages in products delivered and particularly to the speed of rectification. Criticism is especially severe in relation to kitchen units supplied through trade channels to the customer. The air conditioning and kitchen unit sectors suffered a number of complaints of component shortages which arose as a result of companies trying to complete month end targets.

Technical support and availability of custom made products

7.4 In the cladding/decking and air conditioning product sectors many specifiers considered the provision of pre-sale design and system advice of greater importance than did the manufacturers.

7.5 UK particleboard manufacturers (with one notable exception) are widely criticised by specifiers and distributors as offering insufficient technical data regarding their products. In comparison, foreign suppliers (particularly Scandinavian manufacturers) are praised for their excellent technical data supplied by both UK sales offices and the Scandinavian funded (though UK based) Chipboard Promotion Association. A cut-to-size service is not offered by the majority of UK particleboard manufacturers, but there is an increasing demand for this service among furniture manufacturers.

Quality of personnel

7.6 It is common for leading British manufacturers to complain that new entrants to their markets 'poach' employees of both manufacturers and traders in whom the established suppliers have invested by providing specialist training and that this badly affects the level and quality of service they are able to provide. Both kitchen unit and cladding/decking manufacturers commented on this practice in relation to design staff. Everyone interviewed in the air conditioning sector referred to a shortage of skilled engineers throughout the industry and reported that many of the best engineers and technically qualified sales personnel have been 'bought' with higher salaries by importing manufacturers to act as agents and distributors.

8 STANDARDS AND PUBLIC PURCHASING[1]

8.1 This section deals with the current role of standards and other systems of product regulation and specification, and with public purchasing policy. The two are considered together because of the close involvement of the public sector in setting product and specification standards and because of the lead that the public sector can provide in encouraging the wider use of standards.

STANDARDS

8.2 There is a strong and accepted need for nationally recognised standards in the building products industry; a need which is largely met by British Standards. There are, however, a large number of questions concerning the operation of the current BS system and the development of future and associated standards and regulatory schemes. The main issues and questions which have arisen during the study are as follows:

(a) There is wide agreement in some parts of the industry that there is a need for a more widespread use and acceptance of available standards than currently exists. Greater use is particularly requested on the grounds of product safety and on product performance comparability. Weaknesses in the present arrangements which are considered to discourage full use of standards include:

- the lack of suitable standards owing to the slowness of the current system in generating and updating standards eg in doors, where the main difficulty owing to UK market conditions is the lack of co-ordination between the requirements for door leafs, the frame or linings, the hardware that goes with the doors, and the requirements for fire and smoke prevention.

- the inadequacy of many standards set at the level acceptable to a consensus of UK manufacturers and therefore unsuitable for more rigorous applications

- the inconsistency, inflexibility and other various weaknesses of some standards

- the voluntary nature of British Standards; unless specifiers insist that products conform to the standards there is little reason for manufacturers to manufacture to them

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[1] The Department of Trade White Paper 'Standards, quality and international competitiveness' was published after the study was complete. The White Paper explains the Government's proposals to enhance the status of standards and quality assurance in the UK, in order to increase the efficiency of British industry and thereby strengthen its international competitiveness.

- the wide acceptance of the system of self certification by manufacturers; it is often almost impossible to challenge a claim that a product meets a British Standard without very heavy costs or time delays, and

- the lack of sufficient 'Kitemarking' or other third party certification schemes as an alternative to self certification.

(b) There is considerable criticism by manufacturers of the multiplicity of regulations, requirements and specifications which are used in addition to British Standards. As well as the full British Standards, including Codes of Practice, there are several statutory regulations (Building Regulations, The Offices, Shops & Railway Premises Act of 1963 etc); regulations of the professional bodies (eg, Institute of Electrical Engineers Regulations); approvals board requirements (eg, ACIAA(1), BEAB(2), TRADA(3)); Agrement certificates and reports, separate specifications and requirements of each of the main public bodies, government departments and local authorities (eg, the PSA MOB requirements; the DHSS CUBITH programme; GLC fire regulations; purchasing consortium specifications etc); and finally the separate specifications of large private sector buyers which also tend to have an influence on the levels of product design (eg, the purchases by supermarket chains, and of own brand items by the large DIY and builders' merchant chains). This is by no means a complete list of all the requirements of which some manufacturers need to be aware. It is widely held that this diversity of systems and controls has, in some cases (eg, air conditioning), acted as a brake on the emergence of any large mass production manufacturers who could take advantage of economies of scale to compete effectively with mass production foreign competitors.

(c) There is concern regarding the effect of the harmonisation of standards within the EEC and the means by which this will be achieved although most manufacturers welcome the development of European Standards in principle. European Standards have now been developed for ceramic tiles and the British Ceramic Research Association is an approved testing station. The ceramic tile manufacturers however believe that, because there is some evidence that laboratories in different countries can produce widely differing results from the same product test, queries as to whether a product satisfies European Standards should be tested in the country where they arise.

(d) There is also widespread concern at the implications of the Draft Directive on Product Liability.

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(1) Air Conditioning Industry Approvals Authority
(2) British Electrotechnical Approvals Board
(3) Timber Research and Development Association

(e) In view of the claimed widespread effectiveness of standards as non-tariff barriers in many export markets for UK products, some manufacturers argue that the UK should operate similar (perhaps statutory) schemes to restrict imports. However this study generally found very little support for statutory British Standards and some manufacturers thought that such a policy could create a large number of other problems. For example, air conditioning manufacturers were concerned at the implications of such standards regarding components which are simply not available from UK sources.

(f) Manufacturers and specifiers generally welcome the initiative of the DoE in encouraging grading within British Standards in order to ensure that these standards are suitable for different levels of requirements.

(g) Also welcomed by those interviewed is the apparently increasing tendency for public purchasing authorities to insist on the use of independently certified products wherever these are available and where the British standards are acceptable.

(h) Government's financial support for BSI was considered to compare unfavourably with the situation in French and West German standards organisations. In particular, the difficulty of BSI staff attending European meetings outside the UK, unless BSI holds the secretariat, was contrasted with the apparently regular attendance of representatives from AFNOR (France) and DIN (West Germany).

PUBLIC PURCHASING

8.3 EEC and GATT regulations specifically prohibit public sector organisations from adopting chauvinistic purchasing policies. The study showed, however, that there is still widespread belief among manufacturers and contractors that some public sector purchasing organisations:

- specify imported products (often on aesthetic grounds) without adequate invitations to UK manufacturers to compete (ie without going to open tender)

- delegate the purchase of components to contractors with little or no check on the country of origin of products used

- apparently purchase imported materials in defiance of better commercial deals (on price and quality) offered by UK manufacturers

- often purchase foreign products from established suppliers rather than accept an element of risk in using a new or comparatively inexperienced UK supplier.

8.4 In addition to these criticisms there is still considerable resentment, particularly in the air conditioning equipment sector, that other member countries of the EEC appear to be able to direct public purchasing power towards almost exclusive purchase of domestically manufactured materials, whereas the UK public sector appears, in some cases, to be excessively strict in the interpretation of these regulations. Several manufacturers expressed the view that given the technical lead of the foreign air conditioning manufacturers and the size of their home market, the UK industry could not hope to compete effectively unless they could obtain encouragement from public sector specifiers. More specifically they request:

- far greater advance notice of requirements in order that they can respond more effectively

- more flexibility in approach and a preparedness to modify specifications and

- more co-ordination of long term requirements between different public sector clients so that they can plan their investment in new production methods to match.

PART B EXPORT OPPORTUNITIES

9 EXPORTS

EXPORT PERFORMANCE

Kitchen units

9.1 West Germany accounted for much the largest share of kitchen unit exports from the EEC[1] in 1980 with nearly 70 per cent of this trade. Italy, the next largest exporter, had 9 per cent. The UK only supplied 4 per cent - less than Belgium/Luxembourg and France. (See Table B1 in Annex B).

9.2 The major export markets for the UK in 1980 were Saudi Arabia (29 per cent), Ireland (18 per cent), France (13 per cent) and Hong Kong (8 per cent). The UK has an extremely small share of exports to both the Netherlands and Belgium-Luxembourg, both of which are usually well disposed to buying UK products.

Wooden doors and frames

9.3 West Germany supplied 25 per cent of all EEC exports in 1980, Italy and France 19 per cent and the Netherlands 9 per cent. The UK, which did somewhat better than the Netherlands, supplied 12 per cent. (See Table B2 in Annex B).

9.4 The UK's major export markets in 1980 were Saudi Arabia (24 per cent), Ireland (22 per cent), Egypt (9 per cent) and Kuwait (8 per cent).

9.5 The UK had a smaller share of EEC exports in 1980 than in 1978 and has lost volume in all of the main EEC markets. France has lost even more volume over the same period, while Italy has lost volume to non EEC markets. Only West Germany has shown a noticeable increase in exports over the period - a substantial part of which was to Switzerland, the only one of the main importers to show a large growth in external demand. The UK has failed, along with the Netherlands, to enter this expanding market.

Particleboard

9.6 UK exports of standard board are small and mostly re-exports - less than 2 per cent of all EEC exports of this board in 1980. The large majority of the UK exports are to Ireland (53 per cent in 1980). Belgium/Luxembourg accounted for about 60 per cent of all EEC exports of standard board in 1980, while West Germany and France accounted for 24 and 13 per cent respectively. These shares have not changed significantly since 1978. (See Table B3 in Annex B). Sweden, which is a major exporter, is of course, not a member of the EEC.

9.7 For other wood particleboard (including melamine faced, vinyl laminated, coated, flooring and other reconstituted woodboards), West Germany is the dominant EEC supplier with 58 per cent of all EEC exports in 1980. Once again the UK share is very small (4 per cent), although this has risen from 2 per cent in 1978. (See Table B4 in Annex B).

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[1] Throughout this section 'exports from the EEC' includes exports to other members of the EEC.

9.8 There is much surplus capacity in Europe at present, particularly for standard boards. It is therefore considered that UK producers should concentrate on expanding their share of the UK market from the present one-third before entering the West German and French volume markets. Hence the following chapters do not include any examination of export opportunities for particleboard.

Ceramic tiles

9.9 Just three countries - Ireland, Saudi Arabia and the Netherlands - account for 35 per cent of UK exports of all types of ceramic tiles.

9.10 In unglazed tiles produced by developed (OECD) countries, West German manufacturers are dominant in Europe supplying, for example, 71 per cent of French imports and 63 per cent of Dutch imports in 1981. However, in Saudi Arabia they only supplied 13 per cent of imports compared with the UK's 20 per cent. The other market in which the UK did well was the USA where 23 per cent of imports were produced by UK manufacturers. In 1977 this figure was 33 per cent. (See Table B5 in Annex B).

9.11 The world market for glazed ceramic tiles is far larger than for unglazed tiles. Italy is overwhelmingly the major producer of these tiles among OECD countries supplying, for example, 80 per cent of West German imports in 1980. The Italian share of many of the leading markets has grown substantially since 1977. In contrast the West German share has fallen. The UK share is minute. (See Table B6 in Annex B).

Cladding and decking

9.12 About half UK produced aluminium cladding and decking is estimated to be exported, compared with 30 per cent for steel and less than 10 per cent for asbestos cement. Although not strictly within the defined product scope, the substantial export of coated but unprofiled steel for rolling into the end product abroad should not be ignored. Over 40 per cent of coated steel coil for the building industry is exported. Major markets are Finland (and thence to USSR), Norway, France, Germany and the USA. It is difficult to export the profiled product to countries which have local roll-forming facilities. (See Table B7 in Annex B).

9.13 Aluminium cladding manufacturers in the UK named the Middle East, Libya, Algeria and West Africa as their principal export markets. IMR research indicates that the UK's prime export markets for steel cladding and decking are Denmark, the Netherlands, Scandinavia, the Middle East (particularly the Gulf States) and Africa, north and south. In 1980 the UK held a dominant position among EEC exporters of asbestos-cement corrugated sheets in the markets of Hong Kong, Pakistan, Iraq and Saudi Arabia (as well as Ireland).

9.14 The UK's share of EEC exports of asbestos-cement products (by value) was 13 per cent in 1980, as against 15 per cent in 1978. By value it was the second largest EEC exporter of asbestos-cement products in 1980 - just ahead of Italy. Belgium/Luxembourg was easily the largest, with 52 per cent of the EEC export market in 1980. (See Table B8 in Annex B).

9.15 Subsidiaries and associate companies of several manufacturers with UK plant also manufacture overseas. Companies manufacturing in the UK will tend not to export where their subsidiaries or associates have manufacturing plant.

Air conditioning equipment

9.16 The top seven UK export markets in 1980 were Saudi Arabia, West Germany, Nigeria, United Arab Emirates, France, Ireland and Egypt. Together these accounted for half of all air conditioning exports. The UK has increased exports to both Saudi Arabia and West Germany over the period 1978 to 1980 while sales to the United Arab Emirates have fallen considerably. Total exports rose by 19 per cent in real terms in 1979 but fell back by a smaller amount in 1980.

9.17 The UK accounted for 20 per cent of air conditioning exports from the ten EEC countries in 1980 compared with 24 per cent in 1979 and 18 per cent in 1978. The geographical distribution of UK exports was very similar to those from France in 1980. Both the British and French are far less active in Europe than are the West Germans. In value terms in 1980, France exported worldwide 6 per cent more than the UK, while West Germany exported 7 per cent more. The UK exports a far higher proportion of equipment as parts than France or West Germany. This supports the observation that a number of UK manufacturers have adopted a strategy of exporting equipment in a 'knockdown' form for assembly in the country of final distribution. This policy is particularly closely followed in parts of Africa and the Middle East.

9.18 The world air conditioning export market is dominated by the USA although Japan is also significant in some areas. To date, the Japanese have had relatively little impact in Europe. (See Table B9 in Annex B).

THE WEST GERMAN AND FRENCH MARKETS

9.19 Interviews were conducted in the French and West German markets in order to identify the main reasons behind the low levels of UK exports to these countries and to recommend actions to increase these exports. France and West Germany were selected in view of their potential as major markets. They may not presently be particularly profitable or obtainable markets for all the products. Indeed for some of the sectors, notably air conditioning equipment and cladding/decking, the current major export opportunities are supply via French and West German contractors to third country (notably Middle East and African) construction projects, rather than directly to the French and German domestic markets.

9.20 The following paragraphs briefly outline the two markets in statistical terms as an essential basis to the more qualitative aspects considered in subsequent sections of Part B of the report. Detailed statistics are given in Annex C with appropriate references in this section.

West Germany

9.21 The UK's share of the total German market is only 1 per cent at best for any of the five products.[1] In terms of German imports, UK air conditioning accounted for 7½ per cent and kitchen units for 2 per cent in 1980. The shares for the other products were even lower - despite the fact that West Germany imports 56 per cent of her ceramic tiles. (see Tables C1 to C4 in Annex C).

9.22 It is significant to note that West German exports of air conditioning units represented a high percentage of total production in 1980 at 27 per cent. This emphasises the importance of UK exporters making contact with the major German contractors who purchase building materials for foreign projects.

France

9.23 French production statistics are much less fully documented than those in West Germany - there are no suitable ones for ceramic tiles or cladding/decking. Statistics for the other four products show a very similar position to that in West Germany. The UK holds only 1 per cent or less of the total French market for each of the four products. In terms of French imports the best UK share is in air conditioning (10 per cent in 1980). Significant shares were also achieved in kitchen furniture (nearly 6 per cent) and wooden doors (4 per cent). (see Tables C5 to C7 in Annex C).

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[1] No suitable statistics are available for cladding and decking.

10 PRODUCT POLICY

Functional aspects of design

10.1 The relatively greater importance placed on functional aspects of design in France and West Germany, as against the UK, is underlined by the fact that all the five products[1] must be guaranteed in use for periods of between one and ten years according to product and country[2]. If a product fails before the guarantee period has expired, the manufacturer must provide replacements and this can not only affect his reputation among suppliers but also sometimes result in the revocation of quality assurance certification (such as the Institut von Bautechnic certification scheme required for such products as fire doors and roof decking). Survey respondents indicated that the following product guarantee periods are typical for France and West Germany, as shown in Table 10.1.

TABLE 10.1 Typical guarantee periods, by product

Product	Period
Air conditioning equipment	1 to 2 years (France) 2 to 5 years (West Germany)
Ceramic tiles	1 to 2 years normally but up to 5 years in West Germany
Kitchen units	1 to 2 years normally but up to 5 years in West Germany
Cladding and decking	Up to 10 years
Wooden doors and frames	1 to 2 years normally but up to 5 years in West Germany (compared with 3 years normally in the UK)

Source: IMR Research

10.2 The functional design of UK ceramic tiles, air conditioning and kitchen units, including the materials used in their construction, was considered to be very competitive with both French and German products and other imports. UK air conditioning equipment in particular was singled out for being of very superior quality, better than French or German products.

10.3 In the cladding and decking sector, the research found some regional variation in those functional design aspects considered most desirable among French and German distributors and end users. However, UK cladding and decking products, where known, were found to be as good as French and German products as regards metal strength, gauge and corrosion resistance. Asbestos cladding and decking was found to be in less demand than steel or aluminium, particularly in West Germany where the market is reported to have decreased by approximately 25 per cent in volume terms within the last year because of a high degree of public concern over health risks.

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[1] Particleboard is excluded from the export study (see para 9.8).
[2] The specification of guarantee period is frequently stated as part of the supply contract.

10.4 It would appear that certain changes in UK functional design will be necessary for door/frames to meet German DIN standards. A 'rebated' edge is now required for all doors in West Germany. French and German manufacturers of wooden doors/frames were considered to offer products of a very high functional design standard. However, door distributors did admit to there being quality problems regarding the construction and core materials of South East Asian doors.

Aesthetic aspects of design

10.5 In those product sectors where aesthetic aspects of design are particularly important (eg, ceramic tiles and kitchen units), UK manufacturers are criticised for not supplying special export designs which match French or German tastes. The lack of designs specifically for export is borne out by the UK manufacturers contributing to this survey - very few of them say they offer special aesthetic export designs. In the two sectors most criticised only two UK kitchen unit manufacturers and no UK ceramic tile manufacturers are currently producing special designs for export.

10.6 As regards aesthetic design for ceramic tiles, some UK manufacturers were criticised for offering 'too many small floral patterns' and patterns which are difficult to accommodate in bathrooms with non standard dimensions (eg, tiles with border outlines). In addition, the colours of UK ceramic tiles do not always match the standard continental colour range as established by sanitary ware and ceramic tile manufacturers.

10.7 In kitchen units, UK designs were perceived by those interviewed as being 'old fashioned' and 'unexciting'. Solid wood and wood veneer kitchens account for the majority of kitchen units sold in both France and West Germany; although UK manufacturers do supply wood designs, they frequently do not incorporate curved panels or combination wood effects which are very popular. White 'clinical' designs are increasingly in demand in West Germany and are another type of design which French and German kitchen specialists claim is not available from UK suppliers. This is another example of how British design taste can vary from that of other European countries.

Product range

10.8 In the ceramic tile sector, the size range which accounts for the highest percentage of sales volume is not now offered or produced by UK manufacturers.

10.9 In air conditioning, a wider product range than that offered by most UK manufacturers is necessary to facilitate the provision of a higher level of service and technical support. The lack of variety in larger UK air handling units and specialist unitary equipment was particularly noted by French and German end users. Distributors indicated that the provision of a wider UK product range, particularly of specialised or 'one off' products would represent an important incentive to sell British products.

Opportunities

10.10 The research identified the following product opportunities:

- flatpack kitchen units

- a 'British look' in upmarket kitchen design incorporating matching ceramic tiles

- ceramic tiles in designs most acceptable to French and German tastes

- commercial/institutional doors

- upmarket solid core doors sold complete with fittings

- steel and aluminium cladding and decking

- specialised air conditioning applications

10.11 The majority of respondent kitchen unit specialists and DIY/department store retailers believed that there was a current trend towards self assembly in kitchen units (eg flatpacks) as an economy measure taken by an increasing number of consumers. There are currently only a limited number of flatpack manufacturers supplying to the DIY market in France and Germany with Ikea (a Swedish based company) and Alju, the best known manufacturer in Germany, and approximately 10 French companies also producing flatpacks. Styles and sizes now available are very limited with most flatpacks of white melamine faced chipboard construction.

10.12 In the upmarket, valued added kitchen unit sector there appears to be an opportunity to introduce radically different designs which promote the idea of 'British Design'. Another opportunity suggested by this market investigation is to supply upmarket designs which incorporate UK ceramic tiles, which would further promote the idea of 'British Design'. The tiles and kitchen units could be jointly marketed to French and German kitchen specialists. Unless UK manufacturers can offer upmarket kitchen unit designs which are unlike those commonly available in France and West Germany, their products stand little chance of being distributed by kitchen specialists.

10.13 There is also opportunity for UK ceramic tile manufacturers to improve their export performance by providing special export designs which better reflect French and German tastes:

- 'rustic' designs

- multi tile large patterns

- unusual colours such as lilac and purple

- pastel colours for France

- 'climbing' patterns (eg, vines and abstracts)

Furthermore it will be necessary for UK manufacturers to ensure that their export colour range matches that of continental sanitary ware. Above all, UK glazed wall tiles must be supplied with matching glazed floor tiles (in a solid colour) as the majority of consumers in France and West Germany purchase both together.

10.14 An upmarket door product which offers some opportunity is plastic laminate doors supplied for commercial and industrial use. There are relatively few French and German suppliers to this market and it is expected that, as these doors are the most expensive in the market, UK products could hope to be more competitive in price.

10.15 Upmarket solid core doors account for approximately 40 per cent of market volume and 60 per cent of market value in West Germany with a similar breakdown for France. There is an opportunity for UK manufacturers to supply upmarket doors, but their products must be distinguished on the basis of design in order to attract distribution interest, and in France, must satisfy the requirements of the Centre Technique du Bois. It is essential that doors and frames for new domestic installation be marketed together as packages - complete with hinges, locks and other fittings.

10.16 There was a very high degree of interest among French and German contractors and end users in obtaining cladding and decking from UK manufacturers. Both from the point of view of product variety and price, there is an opportunity for UK manufacturers to improve on domestic supplier performance. Most opportunities will consist of supplying steel products (particularly profiled sheet) as this is the largest volume segment of the market. However, the opportunity also exists for the provision of aluminium cladding and decking, particularly in non standard dimensions and profiles.

10.17 In the air conditioning sector, the greatest interest in UK products was shown in specialised applications, such as packaged units for computer room installation for which there is insufficient domestic supply.

11 COMMERCIAL POLICY

The importance of price

11.1 The prices offered by UK manufacturers to French and German distributors were thought to be far too expensive to be effectively competitive with domestic and other imported products in the air conditioning, kitchen unit, and ceramic tile sectors. Other products were also mentioned as being too expensive but not to the extent of these. Price as a determinant of supplier choice was found to be the single most important factor for doors, kitchen units and ceramic tiles. In the cladding and decking sector, as for air conditioning equipment, price was of secondary importance among distributors and installers in relation to the ability of the product to meet established standards and other required quality assurance certification. However, there is evidence to suggest that UK manufacturers' standard prices are not competitive abroad.

Discounts and terms of payment

11.2 UK manufacturers in all sectors where their products are widely known were criticised for not offering as high a standard discount, nor the number of special discounts (such as quantity rebates) as are offered by continental manufacturers. Insufficient discounts offered to distributors and installers of air conditioning equipment were especially noted. The majority of respondents wished to see UK manufacturers offer a discount for cash settlement (typically 3 per cent off manufacturer list prices) within seven days of purchase.

11.3 Market entry or expansion in West Germany may depend on meeting or bettering the typical discounts outlined in Table 11.1. These are standard discounts which distributors expect to be given off the manufacturers' list price, with the exception of the kitchen unit sector where the discount is off the manufacturers' retail price list: there is no wholesale price list issued by most kitchen unit manufacturers. In the cladding and decking sector in West Germany it is common for distributors/installers to negotiate a discount on the basis of the annual quantity sold by the distributor/installer on behalf of a supplier. The actual discount can vary by up to 30 per cent between large and small distributors/installers and is established in addition to the standard discount.

11.4 In France, respondents could not establish a discount structure that was representative of all respondents in that product sector. However, as in West Germany, the sales volume or turnover achieved by the distributor on behalf of a supplier is the basis on which many discounts are negotiated per order.

TABLE 11.1: TYPICAL DISCOUNTS BY PRODUCT AND CHANNEL OF DISTRIBUTION IN WEST GERMANY (PER CENT)

Channel of distribution	Cladding and decking	Air conditioning	Kitchen units	Ceramic tiles	Wooden doors and frames
Manufacturer to wholesaler or other intermediary	5 to 10	NSD	40 to 45 (small distributor) 46 to 50 (large distributor)	10(e)	30 to 40
Manufacturer to end user	na	NSD	na	na	32 to 38
Wholesaler to end user	na	NSD	10 to 20	na	10

Source: IMR Research

Note: na = not available; NSD = no standard discount; (e) = IMR estimate

12 MARKETING

Channels of distribution

12.1 With the exception of cladding and decking (for which UK manufacturers have manufacturing subsidiaries or group companies in France and West Germany), the typical pattern for UK export distribution in France and West Germany is to use wholesalers to a very large extent. This presents several difficulties. First, these distributors can negotiate very large discounts off manufacturers' list prices. Second, as the distributors themselves admit, they function on behalf of several suppliers and are therefore not likely to be concerned if there is a drop in sales for any one supplier as long as their total sales remain stable.

12.2 UK manufacturers were praised by French distributors where they had studied the penetration of existing suppliers and had purposely sought to concentrate distribution in areas which are not over supplied.

12.3 Where UK products were known, French and German respondents generally considered the UK manufacturers used too few distributors to cover the market. For example, in the ceramic tiles and kitchen unit sectors, purchasing decisions are usually not centralised among major chain outlets and it is thus necessary for potential suppliers to be in sales contact at the branch level in those regions where they wish to establish a presence.

12.4 The extent to which UK manufacturers will be successful at exporting to France and/or West Germany depends, to a large degree, on each company's choice of distribution method and facilities, and whether these are appropriate both in terms of the product exported and local market practices and circumstances. The various distribution options available to the UK exporter, with suggestions as to what is most suitable according to product/circumstances, and examples of UK companies now practicing these methods in France and West Germany are summarised in Table 12.1.

12.5 Once basic distribution methods and facilities are determined, it is then necessary to pursue export opportunities in the light of the predominating channels of distribution which vary by country, product, product application and whether (for consumer products) the product is aimed at the upper or lower end of the market. Export opportunity depends on these channels being understood and developed.

12.6 For air conditioning installations in both France and West Germany, distribution is from the factory, usually direct to the installer. This is also true for imported products, although foreign non manufacturing subsidiaries (ie, sales offices) are becoming increasingly common as an intermediary stage. A number of French respondents in the air conditioning sector believed there was a very strong opportunity for UK exporters to form a joint venture with a French manufacturer who has a limited product range (eg, Technibel). Under such an arrangement, the UK manufacturer would supply equipment to extend the French company's product range, shipping either the finished products direct to the French company for distribution (probably under the French company's name) or the parts for assembly in France.

TABLE 12.1: DISTRIBUTION OPTIONS IN FRANCE AND WEST GERMANY

Distribution facility	Products/circumstances to which best suited	Example companies
Manufacturing subsidiary	Heavy products (eg cladding and decking) or products easily damaged in transport (eg ceramic tiles)	H H Robertson (cladding and decking) Marley Home Stores (tiles) F H Biddle (air condition equipment)
Non manufacturing subsidiary (eg, sales office)	Products where effective agent distribution is difficult to secure and rapid delivery is required	Catnic (steel lintels) Pilkington's Tiles (tiles)
Importer/wholesaler	Products competitive in price with domestic and other imported products where extended delivery is acceptable and/or where importer holds stocks	Schreiber (kitchen units)
Commission agents (who obtain orders from French buyers on behalf of a foreign manufacturer with the customer invoiced by the UK manufacturer and export consignment delivered direct to customer as agents will not stock)	In markets where product not over-supplied and reliable agents are thus available, and where rapid delivery is not critical	H and R Johnson (tiles)
Direct to customer export from UK factory	Where UK manufacturers have large stockholding capacity and delivery lead time is lengthy	Denco Miller (air conditioning equipment)

Source: IMR Research

12.7 Ceramic tiles and kitchen units are frequently distributed together in France, whereas in West Germany each product is distributed primarily by specialists who sell to both retail and trade. In both France and West Germany the majority of direct from factory distribution is to wholesale specialists (many of whom, particularly in the kitchen unit sector, also sell to the public) with only a small percentage of sales volume distributed directly to DIY stores, department stores and other retail outlets. In both these product sectors, the distribution trend is toward increased retail sales volume through DIY outlets, particularly for flatpack kitchen units.

12.8 For wooden doors and frames, in both France and West Germany, the major end market is contract sales for new construction (both domestic and commercial) which accounts for approximately 80 per cent of sales volume(1). Private sales and door replacements account for the other 20 per cent. Direct from manufacturer distribution is primarily to timber merchants and other building material wholesalers with only a small percentage being supplied direct for contract sales. Wholesale distribution is primarily to joiners or other subcontractors who install, with 20 to 30 per cent of sales volume going to DIY and other retail outlets. The trend in this product sector is for increased DIY door purchase and installation.

12.9 Finally, in the cladding and decking sector, there are distinct differences in distribution between France and West Germany. In both countries the majority of end user sales are purchased by the sub-contractor and sourced from cladding and decking contractors, who also install. However, whereas German cladding and decking contractors generally source direct from the manufacturer, in France these products are primarily obtained from steel stockholders (who may be wholly owned by the manufacturers). In West Germany, very large orders are usually purchased direct from the manufacturers with some large building contractors having tied supplier relationships with cladding and decking manufacturers.

Advertising and product literature

12.10 It was widely commented by French and German respondents that UK manufacturers are rarely represented at major continental trade exhibitions. In addition, their products are not often seen advertised in trade journals and consumer magazines although other foreign manufacturers (notably Italian and German tiles in France, and German kitchen units in France) use this method of advertising to a very large extent.

12.11 The advertising techniques most often used by manufacturers supplying to the French and West German markets for ceramic tiles, kitchen units, and wooden doors/frames are:

- extensive product literature
- displays located at either the manufacturers' sales offices or specialist dealers

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(1)Of this percentage, 70 per cent are for new domestic installations and 10 per cent are for commercial/institutional installations.

- advertisements placed in leading trade journals and consumer magazines, and

- stands at major trade and home interest exhibitions.

12.12 The price and technical information supplied by UK manufacturers, notably in the air conditioning sector, was also criticised for the failure to ensure the provision of price lists and the accuracy of technical data.

Sales strategy

12.13 Particularly where UK products are not widely known in France and West Germany (eg, cladding and decking, particleboard, wooden doors and frames), it was considered essential by potential distributors that personal contact be made, with the following promotional materials supplied to the distributor:

- technical data (particularly for cladding/decking and air conditioning

- extensive product catalogues, showing dimensions, colour ranges, finishes, etc for kitchen units, ceramic tiles, and identifying after sales services (such as availability of spare parts and replacements) for air conditioning and ceramic tiles

- samples (particularly for cladding/decking and ceramic tiles)

- manufacturer list prices (wholesale) for all products except kitchen units (where retail price lists are expected), and

- evidence of meeting French and German standards as well as certification approval, where required.

12.14 For consumer goods, it was considered particularly important that UK manufacturers feature, as their promotional theme, what differentiates their product in terms of both functional and aesthetic design from other products on the market.

12.15 In addition to establishing sales contact in each channel of distribution, it was thought necessary by distributors for UK manufacturers to establish sales contact with the major specifiers and purchasing bodies for both private and public sector building projects. For all products this would necessitate contact with either the building contractor or architect who specifies all building materials and the relevant subcontractor (eg, the cladding and decking contractor or tile layer) responsible for purchasing and installing the products. Sales contact with both the specifiers and purchasers is necessary because supplier choice, although ultimately the decision of the specifier and/or client, is also influenced by the subcontractor who, with the exception of non standard products, would generally source from among a limited number of regular suppliers.

12.16 In France it was further recommended that UK manufacturers establish sales contact with the major private sector property developers who can be influenced, often by the promotion of unusual design features, towards certain suppliers. The major property developers in France are Societe Centrale Immobiliere de la Caisse de

Depots et Consignation (SCIC), Guitelmacher (Sorim), Cofimeg, and Societes HLM (eg Societe Lyonnaise d'HLM, Le Foyer Rhodanien).

12.17 Guidance as to where sales contact should be made in French Government departments for public sector projects can be found in the following directories:

- Anciens Eleves de l'ENA
- Anciens Eleves de l'Ecole des Ponts et Chaussee
- Bottin Administratif
- Annuaire HLM

12.18 In France, it was stressed that sales contact was preferable with French (rather than French speaking) representatives of UK manufacturers.

13 SALES SERVICES

Delivery performance

13.1 Late delivery in both France and West Germany frequently results in the distributor (or whomever supplies the goods) paying a penalty fee. The extent of the penalty varies, but in Germany is typically based on either 5 per cent of the total building contract value or can be the revenue lost by the delay. In France, if a delivery is late for a construction development, the client may start court proceedings and refuse to make payment. Thus the UK's reputation for poor delivery - whether justified or not - can be a serious disincentive for distributors.

13.2 The two product sectors where current UK delivery performance was most often cited as poor were air conditioning and ceramic tiles. In the former, long and unreliable delivery times were seen to be the most serious of all problems associated with UK suppliers. Whereas the typical delivery time of air conditioning equipment to installers is three to four weeks in France and West Germany, UK deliveries were said normally to take eight weeks. In the latter, unreliable delivery caused by bad weather, UK dock strikes and other industrial action, was frequently cited as a problem, although UK delivery lead times were generally considered to be acceptable. Ceramic tile distributors warned that their clients in new construction are becoming increasingly demanding as regards delivery scheduling.

13.3 As regards delivery lead time, UK manufacturers can expect to be most competitive in supply contracts for building projects, where deliveries are direct from the manufacturer. In such cases, expected delivery dates may be established well in advance which should provide the manufacturer with a sufficient lead time to ensure prompt delivery.

13.4 For all products, deliveries to distributors are required to arrive on a much faster (though equally reliable) basis. The typical delivery times expected by distributors in France and West Germany can be seen in Table 13.1, by product.

TABLE 13.1: DELIVERY TIMES EXPECTED BY FRENCH AND GERMAN DISTRIBUTORS BY PRODUCT

Product	Typical delivery times
Air conditioning	3-4 weeks(1)
Cladding and decking	4-6 weeks
Ceramic tiles	1-2 weeks
Wooden doors and frames	1-2 weeks
Kitchen units (fitted kitchens)	4-6 weeks
Kitchen units (flat-pack)	1-2 weeks

Source: IMR Research

(1)Primarily applicable to room units and standard packaged air conditioners

Delivery services

13.5 The delivery services which manufacturers should provide depends, to a large degree, on the stockholding policy of the distributors. UK manufacturers will be held responsible for all stockholding in the cladding/decking, air conditioning and kitchen unit sectors as distributors/installers in these sectors keep no or very limited stocks. UK manufacturers are expected to make all deliveries using their own or sub-contracted carrier fleet to all product sectors except the retail ceramic tile market. In this market it is common for very large retailers to source directly from the manufacturer and pick-up at the factory using their own carriers in order to obtain both quantity and factory pick-up discounts.

13.6 Technical pre/post sale support, after sales service and the provision of spares are viewed as being of greatest importance in the air conditioning and cladding/decking sectors. The number of suppliers from which an installer sources, depends on whether spare parts are readily available from these suppliers. It is thus important that UK manufacturers stress in all product literature and sales communication the early availability and quick delivery of spare parts for their equipment. This strategy, coupled with price, functional design and delivery factors, is most likely to attract new distributors.

13.7 For ceramic tiles, it is essential that replacements for breakages be readily available. Domestic suppliers tend to be thought of as providing the best after sales service in this area but it is possible, by securing local warehouse space or ensuring rapid delivery direct from the factory, for UK manufacturers to compete equally well in this respect.

14 STANDARDS

14.1 The main bodies responsible for standards and testing in France and West Germany are listed in Annex D.

14.2 Some UK manufacturers expressed general concern over the use of standards and testing requirements in France and Germany, in particular their use as a form of import control. The Centre Technique du Bois's testing arrangements, for example, are considered by UK door manufacturers effectively to block imports into France. The success of some UK and many other third country manufacturers within France and West Germany suggests that standards difficulties may, however, be used as an excuse for a lack of commitment.

14.3 The most widespread complaint regarding standards procedures concerned the time and expense involved in obtaining the necessary third-party certification. A particular example where formal certification is required is the Institut von Bautechnik (IBT) approval for products where safety in use is important (eg fire doors). The view of UK manufacturers was supported by a major German contractor who agreed that it takes longer for foreign products to receive certification from the IBT than German products. IBT testing can reportedly take two years and cost up to £10,000 for each product.

14.4 The situation with regard to certification is different in each country. In Germany, third-party certification is not necessary in all cases and self certification may be acceptable. Where testing is required, it is possible in some cases to arrange testing by a UK testing station (eg by the Building Research Establishment). However, some materials are subject to particular regional requirements by the individual Bundeslander (German Federal States). In such cases, certification from one Bundesland is generally accepted by the other Bundeslander.

14.5 In France, the self-certification system known in the UK and to some extent in Germany does not exist. Building materials are required to have an 'Avis Technique' approval certificate from the CSTB.(1) Testing in the UK is not acceptable.

14.6 In both France and Germany, the specifier is responsible for the performance of the building materials. Building materials used as structural elements must have a ten year guarantee. It is, therefore, necessary for manufacturers or importers to arrange insurance cover and to a certain extent the insurance companies can influence the choice of materials. One German contractor spoke of the difficulty of obtaining insurance cover for a certain type of engineered wall cladding panel because the sandwich of insulating materials was flammable and not acceptable for insurance cover.

14.7 Foreign specifiers and distributors were in favour of greater harmonisation of standards. Importers of air conditioners felt that British standards regarding wiring were inadequate when these units were imported for use in Germany. By far the largest group to express a desire for greater harmonisation of standards was the contractors involved in third country projects. Both French and German contractors had experience of British specifiers, and they complained of difficulties of coping with a mixture of British and other standards. Problems with mixtures of standards exist particularly in the developing countries. Whilst international standards may form the basis for standards being drawn up in these countries, harmonisation of standards has had little impact in France and Germany. Although attempts have been made to match national standards with ISO Standards, there are often slight differences between the two (eg formaldehyde content of particleboard), and international standards are subordinate to the national standards.

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(1)Centre Scientifique et Technique de Batiment

14.8 Standards for air conditioning are being drawn up by Eurovent, the European Association. These standards are not widely used by specifiers but are helping manufacturers in developing products suitable for the European market as a whole. European Standards have been developed through CEN (The European Committee for Standardisation) for ceramic tiles.

14.9 In addition to the difficulties of obtaining certification for imported products for sale, manufacturers expressed annoyance with the regulations in Germany prohibiting the display of products at exhibitions if they are not seen to comply with German standards. If the product is not withdrawn, it must bear a sign to the effect that it is not for sale in Germany and does not comply with German standards.

Opportunities

14.10 In the face of the existing standards procedures four opportunities for increasing exports present themselves to UK manufacturers:

- products which do not require certification testing, eg some wooden doors and small air conditioners

- products which have received certification approval for under-supplied markets

- exports, through contractors, to the Middle East and other countries where British Standards are often specified, and

- the development of alternatives to those products where insurance companies consider standards are not rigorous enough eg panels with inflammable insulation.

14.11 For doors, the first step in improving export performance is to proceed with the revision of BSI door standards especially by getting a suitable head standard for doors which will include items which appear in public sector specifications.

PRODUCTS INCLUDED IN THE STUDY

KITCHEN UNITS

A1 The term 'kitchen units' covers floor standing or wall mounted units; fitted with or capable of supporting a worktop; accommodating sink units, cookers, and other kitchen appliances; and often including accessories such as shelves and waste bins. Most units are constructed from melamine faced chipboard. At the top of the range solid wood doors and facings are common. Units come in factory built 'rigid assembly' and 'self assembly' formats. The latter are commonly stocked by wholesalers and retailers but 'rigid assembly' units are delivered from the factory.

A2 There are in excess of 100 manufacturers in the UK but production is concentrated in the hands of around 15 manufacturers which together account for over 60 per cent of UK production and annual sales in excess of £150 million.

WOODEN DOORS AND FRAMES

A3 The term 'wooden doors and frames' covers internal and external timber doors for pedestrian use in domestic, commercial and public buildings. The principal categories are panel doors, flush doors and louvre doors. Panel doors are made in a very wide variety of hard and soft woods and in a variety of sizes, styles and finishes. Flush doors are of sandwich construction, consisting of two flat facing sheets separated by a frame with a complete or partial infilling or core. Facing sheets are commonly of hardboard or plywood with a plain or veneered surface. Core materials vary from a paper honeycomb, wood or hardboard lattice, to solid chipboard, hardboard and other materials. Louvre doors employ a lattice construction for distinctive appearance and the passage of air.

A4 Half hour and one hour fire doors are generally of timber or composite timber and insulating board construction. Fire doors with higher ratings are usually of steel or other non timber materials.

A5 There are approximately 100 British manufacturers of wooden doors and frames, not counting the fabrication of finished doors from 'door blanks'. Production is concentrated in the hands of a much smaller number, six manufacturers being together responsible for more than 80 per cent of UK production in 1981, accounting for sales around £100 million at manufacturers' prices.

PARTICLEBOARD

A6 The term 'particleboard' includes the traditional wood chipboard as well as wood panels such as waferboard and oriented strand board, and certain non-wood based panels of other ligneous materials, particularly flaxboard. The UK industry manufactures particleboard in both coated and uncoated forms for the construction and furniture industries, DIY trade and other uses. Particleboard covers a variety of products made from small ligneous particles bound together under pressure with resin.

A7 There are 5 significant UK manufacturers. They specialise highly by product with only two manufacturers producing the majority of UK melamine faced board. Three UK manufacturers produce furniture grade standard board and only one manufacturer specialises in construction boards. Of the five major UK manufacturers, only two are British owned, and these are both part of the same group. The remaining companies are UK subsidiaries of foreign companies which are either particleboard manufacturers or have other timber interests.

CERAMIC TILES

A8 The term 'ceramic tiles' covers tiles made of common pottery or earthenware, stoneware and porcelain for decorative wall and floor covering, paving and the facing of mantlepieces and hearths. This category excludes roofing tiles but includes quarry tiles. The principal division is between unglazed floor tiles, and glazed tiles for walls and floors. Unglazed floor tiles are primarily for industrial and commercial environments. Their domestic use in the UK is relatively small. Glazed floor tiles are in wide use in continental Europe for domestic, commercial and industrial applications. The UK market for them has been very small, but it is growing rapidly. Glazed wall tiles are predominently used in the domestic market; an estimated 80 per cent of UK sales are now to the domestic user.

A9 There are less than a dozen UK manufacturers of ceramic tiles, not counting 'studio' producers operating on a small scale. UK production of glazed ceramic tiles is dominated by two manufacturers which between them account for more than 90 per cent of output. Four manufacturers account for a similar proportion of the UK output of unglazed ceramic tiles. UK production of glazed floor tiles is just commencing.

CLADDING AND DECKING

A10 The term 'cladding and decking' is used in this report to cover steel, aluminium and asbestos cement sheeting, usually corrugated, used in the weatherskin of a building. 'Cladding and decking' usually denotes the sheeting used for the external envelope of a building. 'Decking' usually denotes the part of the roof which supports insulating and waterproofing materials and imposed loads from snow and wind. All three materials come in single skin corrugated or profiled sheet form. In addition, asbestos cement comes as flat sheets and slates. Steel and aluminium are also sold in pre-formed double skin sandwich constructions with insulating material infillings, usually known as 'composite products' or 'composite panels'. Those constructed with an external skin having a very slight profile are commonly referred to as 'flat panels'.

A11 Cladding and decking is used principally in industrial, commercial and agricultural buildings; aluminium being used mainly on walls and roofs, steel on industrial walls and roofs, asbestos cement sheets on industrial roofs and agricultural buildings, and asbestos cement slates in place of natural slate on domestic roofs.

A12 There are less than twelve significant UK manufacturers of cladding and decking.

AIR CONDITIONING EQUIPMENT

A13 The term 'air conditioning equipment' covers a variety of products, from totally self-contained, single room units with a cooling capacity of as low as 1.5kw and costing less than £200 (trade), to fully integrated central station systems for large office buildings and industrial premises, for which the hardware cost alone can be several hundreds of thousands of pounds.

A14 There are in excess of 100 manufacturers of air conditioning equipment in the UK (packaged, room or other self-contained unitary equipment, air-handling units) although production is concentrated among 15 manufacturers with annual turnovers (in air conditioning equipment alone) in excess of £3 to 4 million. Most of these manufacturers fall into one of three product groups which can be largely defined as follows:

- packaged room units and small split systems to approximately 7kw cooling capacity
- larger room units and split systems above 7kw
- central station (packaged or modular) air handling units.

ANNEX B

UNITED KINGDOM EXPORT PERFORMANCE STATISTICS

B1 This annex presents statistical data to illustrate recent UK trade performance in each of the product areas. The data sources used are primarily Eurostat (Nimexe) and OECD trade statistics, although brief reference is also made to other sources.

B2 When using the data, allowances must be made for possible inaccuracies owing to the effect of exchange rate movements, inaccuracy of recording by classification, time delays between exports and imports, etc. It is therefore dangerous to give too much significance to the details of the statistics. In some cases comparative prices from various exporting markets have been calculated. Due regard must, of course, be had for the effect of variations in product mix on these. In all tables the base figures relate to 1980 exports, where appropriate, comparison is made with 1978 or 1977.

B3 The coverage of the tables is as follows:

Kitchen units - Table B1
Wooden doors and frames - Table B2
Particleboard - Tables B3 and B4
Ceramic tiles - Tables B5 and B6
Cladding and decking - Tables B7 and B8
Air conditioning equipment - Tables B9

TABLE B1: MAJOR WORLD MARKETS FOR EEC PRODUCERS OF WOODEN KITCHEN FURNITURE, 1980 (1978) (£ million, current prices)

					Exports from:									
	EEC		West Germany		France		Italy		Belgium/ Luxembourg		UK		Denmark	
To:														
Netherlands	67.7	(88.6)	62.1	(83.8)	0.5	(0.7)	0.5	(0.4)	4.0	(3.4)	0.1		0.5	(0.1)
Belgium/ Luxembourg	46.4		37.4		4.4	(2.8)	1.2	(1.0)	-		0.1	(0.2)	0.1	
UK	35.8	(19.1)	24.9	(13.9)	3.6	(0.7)	1.7	(1.5)	1.0	(0.5)	-		0.1	
France	33.8	(29.3)	21.8		-		4.6		5.2	(2.8)	1.4	(0.7)	0.1	
Switzerland	13.6	(6.3)	10.1	(4.9)	2.0	(1.1)	1.4	(0.5)	0.1		-	(0.1)	0.1	
Austria	11.6	(8.9)	10.6	(8.4)	0.1		0.7	(0.5)	0.1		-		-	
West Germany	10.4	(8.0)	-		0.8	(1.0)	1.0	(0.4)	6.3	(2.1)	0.4	(0.2)	0.8	(0.4)
Saudi Arabia	10.3	(7.9)	3.8	(1.8)	0.5	(0.3)	2.5		0.3	(0.1)	3.1	(2.0)	-	(0.1)
Sweden	7.8	(2.6)	2.4	(0.6)	0.1		1.5	(-)	0.5	(-)	0.1		3.3	(1.8)
Sub-total	237.4		173.1		12.0		15.1		17.5		5.2		5.0	
WORLD TOTAL	273.2	(244.9)	187.6	(184.5)	13.6	(8.3)	23.5	(17.9)	17.6	(9.0)	10.6	(8.0)	10.0	(7.2)
Average value, £/kg	1.42	(1.47)	1.51	(1.54)	1.64	(1.39)	1.05	(1.31)	1.43	(1.80)	1.28	(1.23)	1.59	(0.94)

Source: Eurostat (Nimexe)
Note: Figures in brackets refer to 1978

TABLE B2: MAJOR WORLD MARKETS FOR EEC PRODUCERS OF WOODEN DOORS, 1980 (1978)
(£ million, current prices)

	Exports from:											
	EEC		West Germany		France		Italy		Netherlands		UK	
To:												
France	2.3		1.2		-		0.4	(0.2)	0.2		0.2	
Belgium/ Luxembourg	8.6		2.6		2.8		0.5	(0.2)	2.5		0.2	(0.3)
Netherlands	3.0		0.9	(1.3)	0.6		-		-		0.2	(0.5)
West Germany	9.7		-		2.1	(2.7)	4.9		1.5	(0.8)	0.1	(0.1)
Switzerland	4.1	(1.8)	3.4	(1.3)	0.3		0.4	(0.2)	-		-	
Austria	3.1		1.6	(1.3)	0.2	(0.1)	1.1		-		-	
Saudia Arabia	7.3	(4.9)	2.4	(1.1)	1.6	(1.1)	1.0	(1.3)	0.4	(-)	1.4	(0.9)
Sub-total	38.1		12.1		7.6		8.3		4.6		2.1	
WORLD TOTAL	50.5	(44.0)	12.8	(9.9)	9.5	(8.6)	9.8	(9.2)	4.7	(4.2)	5.8	(5.8)
Average value, £/kg	1.10	(0.93)	1.05	(1.00)	1.14	(0.87)	1.19	(0.93)	0.86	(0.78)	1.10	(0.92)

Source: Eurostat (Nimexe); classification 4423.5100
Note: Figures in brackets refer to 1978

TABLE B3: MAJOR WORLD MARKETS FOR EEC PRODUCERS OF STANDARD BOARD, 1980 (1978)
(£ million, current prices)

	Exports from:									
	EEC		West Germany		France		Belgium/ Luxembourg		UK	
To:										
West Germany	30.6	(16.6)	-		6.9	(4.4)	22.5	(11.9)	0.2	(0.1)
Netherlands	20.9		5.2		0.6		15.0		0.1	
France	16.9		4.9	(5.8)	-		11.9	(9.0)	0.1	
UK	12.0	(17.6)	1.9	(1.6)	1.3	(2.4)	7.8	(10.8)	-	
Italy	9.9	(3.5)	7.4	(2.8)	2.0	(0.7)	0.5	(-)	-	
Belgium/ Luxembourg	9.0	(2.7)	2.9	(1.9)	0.8	(0.6)	-		-	
Sub-total	94.3		22.3		11.6		57.7		0.4	
WORLD TOTAL	99.2	(82.8)	23.8	(20.2)	13.0	(10.5)	58.4	(46.1)	1.3	(2.2)
Average value, £/kg	0.11	(0.09)	0.11	(0.10)	0.12	(0.09)	0.11	(0.09)	0.17	(0.15)

Source: Eurostat (Nimexe); classification 4418.11
Note: Figures in brackets refer to 1978

TABLE B4: MAJOR WORLD MARKETS FOR EEC PRODUCERS OF 'OTHER PARTICLEBOARD', 1980 (1978)
(£ million, current prices)

	Exports from:											
	EEC		West Germany		France		Netherlands		Belgium/ Luxembourg		UK	
To:												
Netherlands	20.0	(15.4)	14.8	(11.6)	0.2	(0.3)	-		5.0	(3.3)	0.1	
UK	19.4	(26.4)	10.5	(13.5)	1.3	(1.9)	2.4	(4.6)	4.2	(4.8)		
West Germany	11.9	(8.4)			7.5	(4.3)	1.7	(2.6)	1.5	(0.5)	0.1	
France	9.1	(4.2)	6.6	(3.1)			-		2.0	(0.7)	0.4	(0.2)
Italy	5.1	(1.4)	4.7	(1.4)	0.4	(-)	-		-		-	
Ireland	4.1	(2.3)	0.9	(0.4)	-		0.2	(0.4)	0.5	(0.5)	2.3	(1.0)
Denmark	3.4	(5.0)	3.2	(4.9)	-		-		0.2		-	
Austria	2.6		2.6		-		-		-		-	
Switzerland		(0.6)	1.3	(0.5)	-		-		-		-	
Sub-total	77.0		44.6		9.4		4.3		13.4		2.9	
WORLD TOTAL	89.4	(79.3)	52.1	(46.4)	10.2	(7.5)	5.2	(8.4)	14.1	(10.1)	4.0	(2.0)
Average value, £/kg	0.20	(0.20)	0.21	(0.20)	0.13	(0.14)	0.19	(0.18)	0.22	(0.20)	0.20	(0.22)

Source: Eurostat (Nimexe); classification 4418.19
Note: Figures in brackets refer to 1978

TABLE B5: MAJOR WORLD MARKETS FOR OECD PRODUCERS OF UNGLAZED CERAMIC TILES, 1980 (1977)
(£ million, current prices)

		Exports from:								
	OECD	Italy		West Germany		France		Spain	UK	
	(£ million)	%		%		%		%	%	
To:										
1 France (1)	19	2	(6)	71	(76)	-		13	0.7	(0.3)
2 West Germany (5)	10	10	(8)	-		50	(41)	-	0.4	(0.6)
3 Belgium/ Luxembourg (3)	9	0.9		47	(51)	23	(27)	-	6	(4)
4 Netherlands (2)	6	1	(0.1)	63		6	(11)	-	6	(5)
5 USA (4)	4	4	(16)	36	(26)	5	(3)	17	23	(33)
6 Switzerland (9)	4	23	(15)	57	(69)	12	(14)	-	0.1	(1)
7 Saudi Arabia (-)	4	22		13		14		-	20	

Source: Organisation for Economic Co-operation & Development (OECD), NEDO
Note: Figures in brackets refer to 1977 rankings and percentages

TABLE B6: MAJOR WORLD MARKETS FOR OECD PRODUCERS OF GLAZED CERAMIC TILES, 1980 (1977)
(£ million, current prices)

	OECD	Italy		West Germany		France		Spain	UK
		Exports from:							
	(£ million)	%		%		%		%	%
To:									
1 France (1)	457	61		28	(31)	-		6	0.2
2 West Germany (2)	427	80	(75)	-		4	(2)	5	0.3
3 USA (3)	141	58	(44)	2		0.8		na	0.3
4 Austria (5)	102	69		25	(29)	0.9		2	0.0
5 Belgium/ Luxembourg (4)	102	44		30		8		4	0.3
6 Saudi Arabia (-)	85	58		5		3		26	2.4
7 Netherlands (7)	81	41	(34)	38	(41)	4		7	3.0
8 Australia (9)	71	57		0.5	(2)	0.2		na	1.0

Source: Organisation for Economic Co-operation & Development (OECD), NEDO
Note: Figures in brackets refer to 1977 rankings and percentages

TABLE B7: UK EXPORTS OF CLADDING AND DECKING MATERIALS

	Percentage of UK production exported by area (m^2)	Percentage of total UK exports of cladding and decking by area (m^2)
Steel	30	70
Aluminium	50	10
Asbestos cement	<10	20
Unprofiled coated steel coil	>40	-

Source: IMR Research

Note: Figures are estimates to the nearest 10 per cent

TABLE B8: MAJOR WORLD MARKETS FOR EEC PRODUCERS OF ASBESTOS CEMENT CORRUGATED SHEET, FLAT SHEET AND TILES 1980 (1978) (£ million, current prices)

		Exports from:				
	EEC	West Germany	France	Italy	Belgium/ Luxembourg	UK
To:						
Netherlands	14.8	2.2	0.8	-	10.6	0.7
West Germany	10.9	-	1.5	1.1	7.6	0.7
France	10.1	0.8	-	4.2	4.7	0.3
UK	8.6	-	1.4	-	6.5	-
Ireland	3.6	-	0.7	-	1.0	1.7
Belgium/ Luxembourg	2.5	0.3	0.3	0.3	-	0.2
Libya	2.4	0.8	-	1.5	-	0.1
Saudia Arabia	1.3	0.2	0.1	-	0.4	0.6
Japan	1.3	-	-	-	1.2	0.1
Sub-total	55.5	4.3	4.8	7.1	32.0	4.4
WORLD TOTAL	67.6 (67.5)	5.8 (6.2)	6.9 (6.0)	8.3 (4.7)	35.2 (34.7)	8.8 (10.0)
Average value, £/kg	0.17 (0.17)	0.16 (0.18)	0.12 (0.13)	0.13 (0.10)	0.19 (0.19)	0.24 (0.18)

Source: Eurostat (Nimexe)
Note: Figures in brackets refer to 1978

TABLE B9: MAJOR WORLD MARKETS FOR OECD PRODUCERS OF AIR CONDITIONING MACHINES AND PARTS, 1980 (1978)

			Exports from:											
		OECD (£ million)	USA %		Japan %		Italy %		France %		West Germany %		UK %	
To:														
1	Saudi Arabia (1)	116	65		14	(6)	4	(3)	5	(2)	3	(7)	4	(1)
2	Canada (2)	70	99		–		–		–		–		–	
3	West Germany (4)	38	47		7		9		7	(10)	–		11	(8)
4	Kuwait (3)	36	49		44		2		–		2	(1)	2	
5	Iraq (7)	32	29	(6)	31	(21)	21	(13)	4	(9)	3	(32)	3	(7)
6	OUAE(1) (5)	30	45	(60)	50	(24)	3	(12)	1	(2)	1	(7)	0.2	
7	France (10)	30	48	(43)	–		13	(16)	–		22		8	(12)
8	USA (–)	24	–		91	(31)	1	(9)	–	(9)	4	(15)	4	(35)
13	Nigeria (11)	17	46		8	(–)	3	(6)	8	(5)	3	(16)	20	

Source: Organisation for Economic Co-operation & Development (OECD), NEDO

(1) OUAE = 'Other United Arab Emirates' (excludes Dubai and Abu Dhabi)

Note: Figures in brackets refer to 1978 rankings and percentages

ANNEX C

STATISTICS ON THE WEST GERMAN AND FRENCH MARKETS

C1 The coverage of the tables is as follows:

West German market

Kitchen units - Table C1
Wooden doors - Table C2
Ceramic tiles - Table C3
Air conditioning units - Table C4

French market

Kitchen furniture - Table C5
Wooden doors - Table C6
Air conditioning units - Table C7

TABLE C1: WEST GERMAN MARKET FOR KITCHEN UNITS, 1976 TO 1980 (DM million)

		1976	1977	1978	1979	1980
A	Production(1)	3,252.1	3,883.5	4,420.5	4,628.7	4,879.9
B	Imports of which from:	12.3	23.2	27.9	34.8	46.9
	EEC	6.9	16.9	21.6	28.9	39.4
	UK	-	0.2	0.4	1.5	1.0
	Belgium/Luxembourg	1.2	6.0	7.5	10.3	23.1
	Italy	1.8	3.4	3.9	5.4	4.8
	France	2.1	4.9	5.3	5.7	3.5
	Denmark	0.7	0.9	1.7	2.2	3.2
C	Exports	513.4	629.9	714.5	744.7	789.1
D	Apparent consumption (A + B - C)	3,020.1	3,276.8	3,733.9	3,918.8	4,137.8
UK share of import market:		-	0.7%	1.4%	4.2%	2.2%
UK share of total market:		-	0.01%	0.01%	0.04%	0.03%

Source: Federation Statistical Office, Wiesbaden (WI 5422 10/32/42/46/47; WA 9403 570)

(1) Production figures include other chairs and tables for hotels, canteens etc

TABLE C2: WEST GERMAN MARKET FOR WOODEN DOORS, 1976 TO 1980 (DM million)

		1976	1977	1978	1979	1980
A	Production	500.6	647.6	779.3	914.3	1,040.6
B	Imports of which from:	57.7	64.4	62.6	81.0	96.9
	EEC	42.3	48.6	46.5	54.6	67.2
	UK	-	0.2	0.4	0.6	0.2
	Netherlands	14.5	13.9	9.5	14.1	21.5
	France	9.4	10.0	6.8	7.6	8.4
	Austria	1.0	1.0	1.7	3.7	6.4
	Italy	12.0	17.5	27.6	24.8	28.7
C	Exports	29.0	37.3	38.3	42.7	53.8
D	Apparent consumption (A + B - C)	529.3	674.7	803.5	952.6	1,083.7
UK share of import market:		-	0.4%	0.7%	0.7%	0.2%
UK share of total market:		-	0.04%	0.01%	0.1%	0.01%

Source: Federation Statistical Office, Wiesbaden (5411 01)

TABLE C3: WEST GERMAN MARKET FOR CERAMIC TILES(1), 1976 TO 1980 (DM million)

		1976	1977	1978	1979	1980
A	Production	814.4	870.7	859.2	942.2	1,084.5
B	Imports of which from:	417.8	554.1	594.4	670.4	844.2
	EEC	314.9	429.8	482.5	577.1	725.2
	UK	1.9	2.0	1.0	0.8	2.4
	Italy	279.0	380.7	434.1	507.7	628.9
	France	15.8	20.1	20.5	35.1	50.2
C	Exports	293.5	328.6	338.2	356.5	420.0
D	Apparent consumption (A + B - C)	938.7	1,096.0	1,115.0	1,255.8	1,508.8
UK share of import market:		0.5%	0.4%	0.2%	0.1%	0.3%
UK share of total market:		0.2%	0.2%	0.1%	0.1%	0.2%

Source: Federation Statistical Office, Wiesbaden (5129 01/02)

(1) Not including double tiles of the 'Spaltplatten' type

TABLE C4: WEST GERMAN MARKET FOR AIR CONDITIONING UNITS (WITH AND WITHOUT REFRIGERATION: EXCLUDING PARTS), 1976 TO 1980 (DM million)

		1976	1977	1978	1979	1980
A	Production	480.1	499.3	486.8	514.5	576.3
B	Imports of which from:	86.6	103.0	73.3	91.7	81.1
	UK	4.7	4.6	4.3	5.8	6.1
	Italy	9.0	15.8	9.9	11.4	14.1
	France	23.8	24.2	10.1	17.1	11.9
	USA	19.3	21.6	14.6	20.7	13.8
	Spain	2.4	3.3	2.6	3.6	6.0
	Switzerland	3.3	2.8	5.6	3.8	4.2
C	Exports	129.9	163.9	221.5	182.1	156.8
D	Apparent consumption (A + B - C)	436.8	438.4	338.6	424.1	500.6
UK share of import market:		5.4%	4.4%	5.9%	6.3%	7.5%
UK share of total market:		1.1%	1.0%	1.3%	1.4%	1.2%

Source: Federation Statistical Office, Wiesbaden (WI 3232 31/35/61/65;
WA 8412 310/390)

TABLE C5: FRENCH MARKET FOR KITCHEN FURNITURE, 1978 TO 1980 (Fr million)

		1978	1979	1980
A	Production	2,041	2,413	na
B	Imports	324	336	324
C	Exports	89	105	115
D	Apparent consumption (A + B - C)	2,276	2,644	na
UK share of import market:		2.4%	4.2%	5.5%
UK share of total market:		0.3%	0.5%	na

Source: IMR Research
na = not available

TABLE C6: FRENCH MARKET FOR WOODEN DOORS, 1978 TO 1980, (thousands of doors)

		1978	1979	1980
A	Production	7,320	7,872	na
B	Imports	340	380	310
C	Exports	790	680	610
D	Apparent consumption (A + B - C)	6,870	7,572	na
UK share of import market:		5.0%	12.0%	4.0%
UK share of total market:		0.2%	0.6%	na

Source: IMR Research
na = not available

TABLE C7: FRENCH MARKET FOR AIR CONDITIONING UNITS, 1978 TO 1980 (Fr million)

		1978	1979	1980
A	Production(1)	2,008	2,146	na
B	Imports	154	155	188
C	Exports	412	356	418
D	Apparent consumption (A + B - C)	1,750	1,635	na
UK share of import market:		14.4%	14.3%	10.4%
UK share of total market:		1.27%	1.42%	na

Source: IMR Research

(1) Includes 'autres materiels aerantiques'

na = not available

PRINCIPAL STANDARDS ORGANISATIONS IN FRANCE AND WEST GERMANY

		FRANCE		WEST GERMANY
Main standards body	AFNOR -	Association Francaise de Normalisation (French Standards Association)	DIN -	Deutsches Institut fur Normung (German Standards Institution)
Main testing bodies	CSTB -	Centre Scientifique et Technique du Batiment (Scientific and Technical Building Centre)	BAM -	Bundesanstalt fur Materialprufung (Federal Institute for Materials Testing)
	UTI -	Union Technique Interprofessionelle des Federations Nationales due Batiment et des Travaux Publics (Technical Interprofessional Union of the National Federations of Building and Public Works)	IfBt -	Institut fur Bautechnik (Institute for Building Technology)
Specialist groups issuing standards	COSTIC -	Comite Scientifique et Technique de l'Industrie du Chauffage, de la Ventation et du Conditionnement de l'Air (Scientific and Technical Committee of the Heating, Ventilating and Air Conditioning Industry)	VDE -	Verband Deutscher Elektrotechniker (Association of German Electrical Engineers)
			TUV -	Technischer Uberwachungsverein (Association for Technical Inspection)

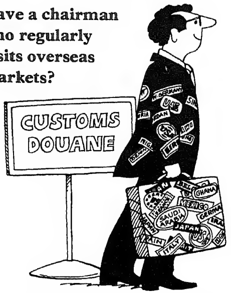
In both countries, a number of other specialist bodies issue guidelines and codes of practice. In addition, there are regional variations in requirements and regulations concerning construction and building materials.

Building materials: could you export more?

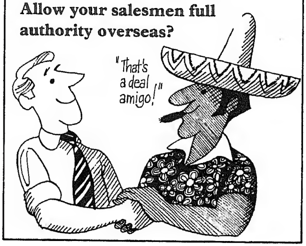
West Germany, the USA and Japan all export more building materials than the UK. Could we do better? This leaflet summarises the Building and Civil Engineering EDCs' report *Building materials: export opportunities and import substitution.*

Do you?

Have a chairman who regularly visits overseas markets?

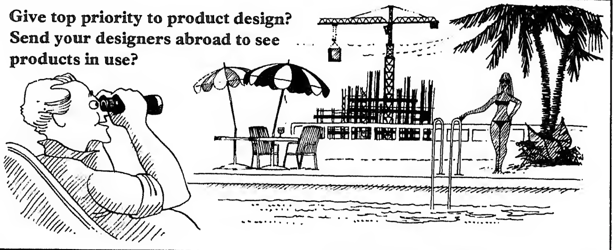


Send the same salesman? Allow your salesmen full authority overseas?

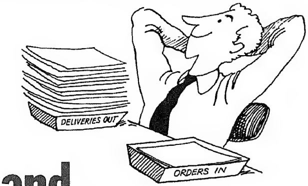

"That's a deal amigo!"

Put the European market first?

Give top priority to product design? Send your designers abroad to see products in use?



Hold adequate stocks to meet delivery requirements?



and...

Consider moving upmarket in style and technology?

Take account of transport when designing?

Maintain a British presence in developing countries through overseas subsidiaries?

Consider export houses?

Enter your products in trade guides?

Take full advantage of free information from government and banks?

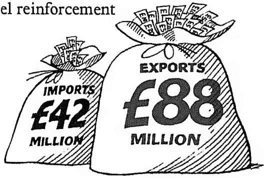
Neddy discussions with over 50 individuals concerned with foreign trade in building materials have shown that these actions would improve building material exports. Many of them would also encourage more people in this country to 'Buy British'. *Building materials: export opportunities and import substitution* contains an analysis of these problems, together with conclusions and recommendations for the construction industries and Government.

Could you do better?

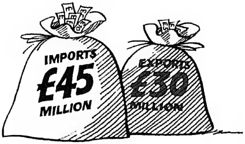
The report shows UK exports of building materials were £1180 million (equivalent to 16% of home material usage) in 1979 — and imports were £1761 million (23%). Timber products account for just over half our imports. Structural materials and services components comprise two-thirds of exports.

Imports and exports in selected materials, 1979

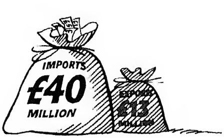
Steel reinforcement



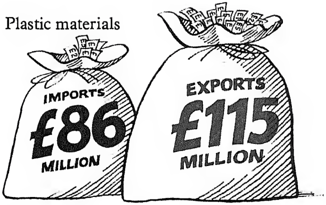
Builders' ironmongery



Central heating boilers and radiators



Plastic materials

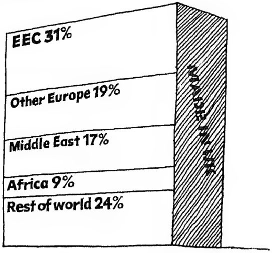


The report gives detailed trade figures for all kinds of building materials — everything from timber to wallpaper.

Do you know how much trade there is in your products?

But how can you increase that trade?

Major markets for UK building materials



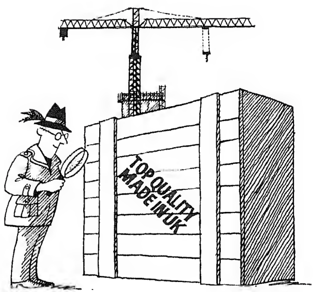
Our main markets must continue to be in Europe. But the report gives detailed information on markets big and small throughout the world.

Do you know enough about new markets for your products?

So what are your prospects overseas?

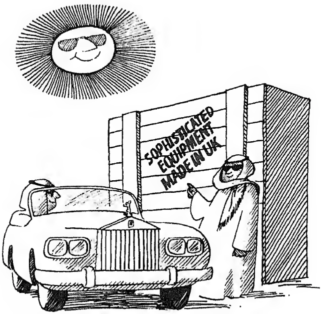
To help exporters concentrate on the best markets for their products, a major part of the report assesses the attractions and challenges of different overseas markets. Information on the major areas of the world — Western Europe, Comecon, Middle East, Far East, USA, Latin America and Africa — has been obtained from numerous sources. This is analysed and discussed for many of the individual countries within these areas ranging from Belgium to Brazil, Italy to Iraq and Saudi Arabia to Singapore. In addition, nearly 100 countries are ranked in order of their relative attractions as export markets, using such factors as size and rate of growth of the market, degree of development of the built environment, credit rating, tariffs, etc.

"*West Germany's* main suppliers for building materials are France, Italy, Belgium and the Netherlands . . . . France is the main supplier of structural steel, paint, putty, copper tube and fittings, and cast iron tubes and pipes . . . . British manufacturers regard the West German market as being particularly difficult to enter, due in part to the rigidity with which standards are applied . . . . Most


TOP QUALITY MADE IN UK

West German purchasers are obsessively quality-conscious and would not readily sacrifice quality for price . . . ."

"*Nigeria,* the most populous country in Black Africa, was the UK's fourth largest export market for building materials in 1978 and the largest outside Europe . . . . Foreign manufacturers will have to commit themselves increasingly to local manufacture if they are to protect their flow of exports. The UK does well on the building materials side but the long term trend is not so favourable because of the reluctance of British firms to invest . . . at present, seven foreign firms are running pilot manufacturing schemes in Nigeria, none of which is British . . . ."


SOPHISTICATED EQUIPMENT MADE IN UK

"*The Saudi* Industrial Development Fund was set up in 1974 to encourage joint ventures between Saudi nationals and foreign know-how through the provision of interest free loans . . . . So far 800 projects are in operation or under implementation. The majority in the field are simple construction materials . . . . Once production is established the manufacturers are protected by a 20 per cent tariff, and where production is adequate, imports are banned entirely . . ."

PROMPT DELIVERY.
GOOD CREDIT & AFTER SALES.
MADE IN UK

"*Mexico* is now one of the most rapidly developing nations in Latin America – due largely to its oil reserves. Keen interest is shown in the market, not only by the USA, which supplied 64 per cent of all Mexican imports in 1977, but also by member countries of the Latin American Free Trade Association, Japan and European nations. Competition is strong and UK exporters need to pay particular attention to prices and deliveries and to the suitability of their goods or services to local needs, at the same time offering competitive credit terms and an efficient after-sales service . . . ."

Examples of what can be achieved

Selected from case studies in the report

"R** M** decided to make a thorough investigation of the company's prospects in the Common Market . . . . They designed a completely new product range especially for export, in colours acceptable to the continental market. Realising that the German customer is unwilling to wait, they arranged for adequate stocks to be held locally. Unwilling to rely upon local wholesalers to stock for them they decided to utilise the services of a distributor who would hold stocks on their behalf. They introduced their new range in 1977 and were rewarded by a considerable increase in sales in Germany, Holland and Belgium by 1978 . . . . An unexpected bonus of their entry into Europe is that the specially designed product is now selling well at home . . . ."

"P**'s first venture was into Holland because the Dutch, and their banks, take a positive and helpful attitude to the British and are receptive to their design and products . . . . Further subsidiary companies were established in Germany in 1974 and France in 1975. Germany, however, presented a problem. Here the British product was not accepted and P** had to redesign to suit German tastes . . . . Exporting even further afield had caused other problems. Obviously, the standard unit could not be sent to the Middle East economically, and to send the units in component form posed problems of pilfering and the lack of skilled labour at the destination . . . . The solution was the development of the Xporta unit which is shipped in flat-pack format . . . ."

"For the last three years B** D** have concentrated their export effort on the Middle East. At first, the majority of sales were made following specification by UK consultants. More recently, however, a growing proportion is sold from locally held stocks — in all some 25 to 50 different patterns are held in stock by their agents in the Gulf States and Saudi Arabia. These agents are supported by B** D**'s own resident manager and visiting technical staff who can follow up potential contracts and provide substantial on-site service and support . . . . Now B** D** are looking at Europe in the hope of creating a more stable export market there. They realise that they have much to learn and may consider buying a manufacturer there so that they will simultaneously acquire local knowledge. America too is proving to have potential, particularly with their love of the 'antique' . . . ."

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